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ABSTRACT

Module 11 in the 17-module self-instructional course on student financial aid administration (designed for novice financial aid administrators and other institutional personnel) focuses on the Stafford Loan, SLS (Supplemental Loans for Students), and Parent Loans for Undergraduate Students (PLUS) student loan programs. It is part of a course that introduces the management of federal financial aid programs authorized by Title IV of the Higher Education Act. It teaches how to outline processing steps in Stafford Loan/SLS/PLUS, recognize and correctly use specific program terms, list student eligibility criteria, and help the school do a good job of loan counseling. Two sections focus on the following: (1) the Stafford, SLS, and PLUS programs (overview, student eligibility and financial need, the loan process, loan application processing at the institution, application processing by lender, institutional processing of a Stafford Loan or SLS check, reporting withdrawals and less-than-half-time attendance, and summary of institutional responsibilities) and (2) recordkeeping requirements for the Stafford Loan/SLS, and PLUS programs. A pre-test, post-test, glossary, acronyms, and chart comparing the Title IV loan programs are provided. Three appendices offer a sample Stafford Loan (GLS) application, a sample SLS/PLUS loan application, and deferments under the Stafford Loan, SLS, PLUS, and consolidation loan programs. Contains two references. (SM)

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A Self-Instructional Course in Student Financial Aid Administration

An Introduction and Guide to the Administration of Federal Title IV Student Financial Aid Programs

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A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

The Stafford Loan, SLS, & PLUS Programs

II

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A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education Office of Student Financial Assistance

This publication is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course consists of the following modules:

1. Student Financial Aid Administration: Course Study Guide and Introduction to the Field
2. Federal Student Financial Aid: History and Current Sources
3. The Legislative and Regulatory Processes
4. Roles and Responsibilities of the Financial Aid Office
5. Title IV Institutional and Program Eligibility
6. General Student Eligibility
7. Calculating Cost of Attendance
8. Need Analysis
9. Award Packaging
10. The Pell Grant Program
11. The Stafford Loan, SLS, and PLUS Programs
12. Campus-Based Programs: SEOG, CWS, and Perkins Loan
13. Verification
14. Authorization, Fiscal Operations, and Reporting
15. Internal Aid Office Management and Institutional Quality Control
16. Forms and Publications
17. Evaluation of Student Aid Management: Self-Evaluation, Audit, and Program Review

The course includes a Support Booklet with the complete course glossary, acronyms, key resources, bibliography, and index, as well as addresses of publishers mentioned in the course. The Support Booklet also offers guidelines for further study.

UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202

October 1988

Dear Colleague:

We are pleased to present the Second Edition of A Self-Instructional Course in Student Financial Aid Administration. This updated version of the course originally published in 1986 incorporates provisions of the Higher Education Amendments of 1986, with 1987 Technical Amendments and subsequent amendments.

The purpose of the course remains the same. It is designed to provide neophyte financial aid administrators (those with two years or less experience in student aid) and other institutional personnel with a systematic introduction to management of federal financial aid programs authorized by Title IV of the Higher Education Act. Students of the course will gain a fundamental understanding of the roles and responsibilities of participating institutions and of student aid administrators. On completion of the course, they will be prepared to expand this knowledge with the use of training and reference materials, on-site training opportunities, and contacts with other members of the profession.

The materials were revised under a contract with the Washington Consulting Group. The text was reviewed for technical accuracy by many staff members of the Office of Student Financial Assistance (OSFA). Special acknowledgement is due to both project staff and OSFA specialists for accomplishing very wide-ranging modifications of the text during a period when much legislative and regulatory activity affecting student aid was in progress.

Your comments and suggestions regarding any aspect of the materials are welcome. OSFA is particularly interested in learning 1) the level of experience and job responsibilities of personnel at your institution using the modules; 2) the purposes for which they are being used (for example, self-study, training new staff, reference); and 3) whether you feel that this publication is among those that OSFA should continue to update and disseminate annually. You may send your comments to the Training Branch, OSFA/ED, 400 Maryland Avenue S.W., Washington, D.C. 20202.

Sincerely,

Dewey L. Newman
Deputy Assistant Secretary for
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Enclosure

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MODULE 11

THE STAFFORD LOAN, SLS, AND PLUS PROGRAMS

The technical information in this module is based on laws, regulations, policies, and procedures in effect as of:

August 20, 1988

This is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course has been prepared by The Washington Consulting Group, Inc., under a contract with the U.S. Department of Education.

The course consists of 17 modules and a support booklet. It provides an introduction and guide to the administration of student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. The titles of the modules are listed on the inside front cover of this publication.

Institutions may freely reproduce the course for their own use. For more information on the course, contact one of the Department of Education offices listed on the inside back cover of this publication.

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MODULE 11

THE STAFFORD LOAN, SLS, AND PLUS PROGRAMS

❑ LEARNING OBJECTIVES

This module covers three major Title IV loan programs: the Stafford Loan (formerly Guaranteed Student Loan, or GSL), Supplemental Loans for Students (SLS), and PLUS programs. After finishing this module, you will be able to:

- ✧ list student eligibility criteria and recognize differences in criteria for the Stafford Loan, SLS, and PLUS programs and those for other Title IV programs;
- ✧ list annual and aggregate loan totals and interest rates for the Stafford Loan, SLS, and PLUS programs;
- ✧ recognize and correctly use specific program terms such as *registered, loan maximum, aggregate borrowing limit, deferment, grace period,* and *default;*
- ✧ outline the processing steps in Stafford Loan/SLS/PLUS and describe the roles of the student, the institution, and the lender; and
- ✧ assist your school to do a thorough job of loan counseling, including the exit interview required by law.

❑ INTRODUCTION

After examining the largest source of *grant* assistance--the Pell Grant program--we are ready to turn our attention to the largest and most widely used sources of *loan* assistance. These are the Stafford Loan, SLS, and PLUS programs.

The Guaranteed Student Loan program, now called the Stafford Loan program, was first enacted as part of the Higher Education Act of 1965. It offers below-market-rate, low-interest loans to students who show financial need. The Supplemental Loans for Students program was established by the Higher Education Amendments of 1986, and is available to students who want to borrow beyond their eligibility for the Stafford Loan program. SLS loans are not need-based--they may be substituted for all or part of the expected family contribution, and therefore may "supplement" the student's other loans and resources in paying educational costs. While both programs are for student borrowers, they differ in their terms and provisions.

The PLUS program was established by the Education Amendments of 1980. Although both students and their parents were eligible to borrow under the program prior to October 17, 1986, PLUS now provides loans to parents only. This program also assists many families in meeting educational costs, although at interest rates higher than Stafford Loan rates. In fact, many families need a combination of loans to make up the difference between costs and other funds

available to pay for the student's education. PLUS loans also may be used to replace all or part of the expected family contribution.

The Stafford Loan, SLS, and PLUS programs are a unique cooperative effort among students, educational institutions, lenders, loan guarantee agencies, and the federal government. Lenders provide private loans at reduced rates to students who normally might not qualify for commercial loans. Institutions determine student eligibility and certify costs. Guarantee agencies insure loans against circumstances such as default, disability, or death of the borrower. The federal government plays several major roles. In the Stafford Loan, SLS, and PLUS programs, the Department of Education subsidizes the below-market loan rates by making extra payments (special allowances) to lenders. ED makes Stafford Loan interest payments for students (interest benefits) during specified periods. The federal government also reimburses guarantee agencies for uncollectible loans.

These loan programs play an important role in the financial assistance offered to students and parents, particularly for attendance at moderate- to high-cost institutions. They also support the concept of choice by expanding students' financial access to schools and educational programs that might otherwise be beyond their means.

This module will focus on several responsibilities of the institution and the financial aid administrator in the Stafford Loan/SLS/PLUS process. Topics will include student eligibility, application processing, disbursement, monitoring of the student's status, and recordkeeping. Because of the large number of students who use the Stafford Loan, SLS, and PLUS programs to help finance their education, your role as a counselor or advisor to students will be significant. Understanding the students' options and responsibilities is important to help them avoid excessive debt and potential default in years to come.

In addition to studying this module for Stafford Loan/SLS/PLUS program information, you should be familiar with material in previous modules which is also essential to a full understanding of these programs: general student eligibility, cost of attendance, need analysis, and award packaging. This module builds on your familiarity with these related subjects. Future modules will also discuss significant related topics: verification of applicant data (Module 13), submission of required reports (Module 14), development of a refund policy (Module 15), and audit requirements (Module 17).

❑ FOR SPECIAL ATTENTION...

Major changes have occurred as a result of the Higher Education Amendments of 1986, as amended by the Technical Amendments of 1987 and subsequent amendments. Some of the most significant changes to the guaranteed loan programs are:

- ✧ a required need analysis for all Stafford Loan applicants.
- ✧ effective for periods of enrollment on or after July 1, 1987, students who receive a Stafford Loan, SLS, or parent's PLUS loan must be enrolled or accepted for enrollment in a degree or certificate program (there is one exception, as explained in Section 11.2.1).
- ✧ increased annual and aggregate loan limits for the Stafford Loan program.

- ✧ a new loan program, Supplemental Loans for Students (SLS), with eligibility extended to independent undergraduate students, graduate or professional students, and, in special circumstances, dependent students.

- ✧ eligibility for the PLUS loan program limited to parent borrowers.

- ✧ new deferment provisions for new borrowers under the Stafford Loan, SLS, and PLUS programs.

More details on these and other changes are given in later sections of this module.

PRE-TEST

1. The largest Stafford Loan amount that an undergraduate student in the first year of study may borrow for the academic year is:

   a. $4,000
   b. $3,750
   c. $3,125
   d. $2,625
   e. $2,150

2. In some circumstances, a borrower may be temporarily permitted to make smaller payments on a loan. This is known as:

   a. forbearance
   b. deferment
   c. a grace period
   d. default

3. Currently, when does ED pay the interest on an SLS loan? (circle all that apply)

   a. during the grace period
   b. while the student is repaying the loan
   c. during the period when the student is enrolled at least half-time at a participating school
   d. during authorized deferments
   e. none of the above--ED does not pay interest benefits on an SLS loan

4. In the Stafford Loan program, the institution's role includes: (circle all that apply)

   a. reviewing institutional records for indications of a student's previous default on a Title IV loan
   b. determining student eligibility
   c. insuring loans
   d. certifying the loan application

5. Stafford and SLS loan funds must be disbursed in multiple payments. True or False?

6. An SLS or PLUS loan is not need-based and may be counted as part of the expected family contribution. True or False?

7. A student already has an outstanding Stafford Loan at 9% at the time he applies for another Stafford Loan. The current interest rate is 8%. The interest rate on the student's new Stafford Loan would be:

   a. 8%
   b. 8.25%
   c. 8.5%
   d. 9%

8. Stafford and SLS loan checks are sent directly to the student. True or False?

9. Students must be enrolled or accepted for enrollment at least half-time to be eligible for a Stafford, SLS, or parent's PLUS loan. True or False?

10. Most Stafford, SLS, and PLUS loan repayment periods range from:

    a. 10-15 years
    b. 5-15 years
    c. 5-10 years
    d. 0-5 years

11. Institutions need written authorization from the student to retain Stafford/SLS loan proceeds in excess of the amount currently due the school. True or False?

12. The financial aid administrator must confirm that a student is registered for at least half-time attendance before a Stafford Loan check can be released to the student or credited to the student's account. True or False?

13. Reviewing the student's dependency status is not necessary during institutional processing of a Stafford Loan application. True or False?

14. Under the Stafford Loan program, graduate students may borrow $7,500 per year. However, the total amount borrowed under the Stafford Loan program, including undergraduate and graduate loans, cannot exceed:

    a. $54,750
    b. $36,250
    c. $28,250
    d. $15,000

15. A late disbursement check is one that arrives at the institution: (circle all that apply)

    a. after the student has stopped attending classes on at least a half-time basis
    b. after the end of the academic period for which the loan was intended
    c. after the student has already begun classes

16. Which of the following does the Department of Education pay to the lender on behalf of a Stafford Loan borrower who is eligible for interest benefits? (circle all that apply)

    a. the guarantee fee
    b. the interest on the loan during the in-school period, grace period, and authorized periods of deferment
    c. the difference between the lower Stafford Loan interest rate and a "market" rate calculated by a statutory formula

17. Which of the following eligibility criteria must be met for a student to borrow under the Stafford Loan program? (circle all that apply)

    a. students must be enrolled in a degree or certificate program
    b. students must not owe a refund on a Title IV grant received for attendance at any school
    c. students must maintain satisfactory academic progress
    d. students must demonstrate need

18. Currently, who may borrow through the PLUS program? (circle all that apply)

    a. parents borrowing on behalf of their children who are dependent undergraduate or graduate/professional students
    b. independent undergraduate students
    c. dependent undergraduate students borrowing on their own behalf
    d. graduate students

ANSWERS

1. d. (11.3.1)*
2. a. (11.3.1)
3. e. (11.3.1)
4. a., b., and d. (11.3.2, 11.4)
5. True. (11.5)
6. True. (11.2.3)
7. d. (11.3.1)
8. False. (11.5)
9. True. (11.2.1)
10. c. (11.3.1.)
11. True. (11.6.1)
12. True. (11.6.1)
13. False. (11.4.2)
14. a. (11.3.1)
15. a. and b. (11.6.2)
16. b. and c. (11.3.1)
17. b., c., and d. (11.2.1, 11.2.3, 11.4.1)
18. a. (11.1, 11.3.1)

*For quick access to information on this question, see this section.

Questions: 18 Your Score:____ Percentage:____

THE STAFFORD LOAN, SLS, AND PLUS LOAN PROGRAMS

11.1 OVERVIEW OF THE STAFFORD LOAN, SLS, AND PLUS PROGRAMS

The Stafford Loan program was formerly called the Guaranteed Student Loan (GSL) program.

Guaranteed loan programs play an important role among the financial assistance programs for students. The Stafford Loan, Supplemental Loans for Students (SLS), and PLUS programs are intended to help students make up the difference between their personal resources and educational costs. They support the "freedom of choice" concept by offering students increased financial access to schools that might otherwise be beyond their means.

The Stafford Loan, SLS, and PLUS programs are authorized in Part B of Title IV of the Higher Education Act, and are sometimes referred to collectively as the "Part B" programs.

There are considerable differences between the Perkins Loan program and the Stafford, SLS, and PLUS loan programs. Unlike the Perkins Loan program, these programs do not require the institution to request federal funds, select recipients, or make awards. The Perkins Loan program is discussed with the other campus-based programs in Module 12.

- The Stafford Loan, SLS, and PLUS programs differ from the Perkins Loan program (formerly the NDSL program) in that the institution does not request federal funds, select recipients, or make awards. See Module 12 for information on the Perkins Loan program--a "campus-based" program.

The Stafford Loan and SLS programs make loans to eligible students. They are an important source of funds because students generally cannot obtain regular loans from commercial sources--they often have no employment or credit history, or lack collateral for a loan. Although the Stafford Loan and SLS programs share deferment provisions, they differ in other terms and provisions such as the maximum amounts a student may borrow, eligibility requirements, interest rates, and repayment dates.

- Some differences between the student eligibility provisions for the Stafford/SLS/PLUS loan programs and other Title IV programs are shown in the chart on page 5.

Stafford Loans

The *Stafford Loan* program makes low-interest loans (lower than market rate) to students who show financial need. Eligibility requirements and repayment terms have been specifically designed for these students.

SLS Loans

The *SLS* program provides loans to certain students who desire further assistance beyond the funds available to them through the Stafford Loan program. An SLS loan may be counted as part of the expected family contribution and is referred to as *non-need-based*.

PLUS Loans

The *PLUS* program makes loan funds available to parents borrowing on behalf of their children, who may be dependent undergraduate or graduate/professional students.

PLUS loans may also be counted as part of the expected family contribution and are not based on demonstrated financial need.

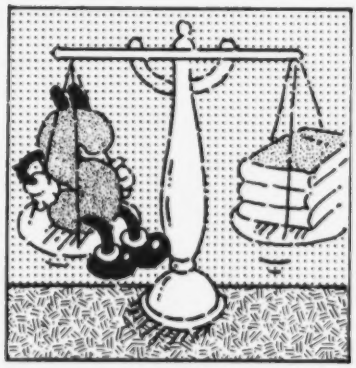
The Stafford Loan, SLS, and PLUS programs work with private capital committed to the programs primarily by commercial lenders. The programs are a cooperative effort involving borrowers (students or parents), lenders, educational institutions, guarantee agencies, and the federal government. The lender receives a loan guarantee from a guarantee agency. The guarantee agency will itself be reimbursed by the Secretary of Education for claims paid on defaulted loans or loans that are cancelled due to the bankruptcy, death, or total and permanent disability of the borrower. Educational institutions that participate in these programs are those that normally participate in the other Title IV programs: colleges and universities, vocational and technical schools, and correspondence schools. Stafford, SLS, and PLUS loans may also be borrowed for study at participating foreign schools.

Consolidation loans are offered by lenders for the purpose of combining loans previously made under the FISL, Stafford Loan (formerly GSL), Perkins Loan (formerly NDSL), PLUS (loans to students only*), SLS, and Health Professions Student Loan programs. PLUS loans to parents may not be consolidated. Generally, a Consolidation loan may be obtained by a student with a minimum debt of $5,000 who is in a grace or repayment period and who is not delinquent in repayment. Loans made to a student under various programs can be consolidated into one loan with a single interest rate requiring only one payment each month. The Consolidation loan may have a longer repayment term and lower monthly payments.

This module will focus on the following institutional responsibilities:

- ✧ determining student eligibility;
- ✧ processing and certifying the student's loan application;
- ✧ verifying student eligibility before processing and delivering loan funds;
- ✧ complying with check processing regulations;

When a student's Stafford, SLS, and PLUS loans for a loan period are added together, they may not exceed the cost of education minus other financial assistance for that period.



The Stafford Loan, SLS, and PLUS programs are the only Title IV programs that permit foreign schools to participate.

Consolidation Loans

Federally Insured Student Loans (FISL) The FISL program was established by the Higher Education Act of 1965 but has been replaced by the current loan programs.

*Prior to October 17, 1986, the PLUS program made loans to independent undergraduate and graduate/professional students. Students can no longer borrow under the PLUS program, but may borrow under the Stafford Loan and SLS programs.

In the guaranteed loan programs (Stafford Loan, SLS, and PLUS), the terms *disbursement* and *delivery* have specific technical meanings:

- *disbursement* refers to the issuance of the loan proceeds by the lender (for example, in the form of a check)
- *delivery* refers to the transfer of the loan proceeds to the borrower by the institution

- notifying lenders and guarantors promptly if the enrollment status of a borrower drops below program limits; and

- keeping the records required by federal regulations.

Later modules will discuss other important topics, including the following responsibilities:

- verifying applicant data (Module 13);

- submitting reports to lenders (including secondary lenders) and guarantee agencies (Module 14);

- developing a refund policy within regulatory guidelines (Module 15);

- providing consumer information to current and prospective students (Module 16); and

- auditing loan transactions and program records (Module 17).

Please note that although schools may also be lenders, this module does not attempt to address fully the specialized procedures associated with that function. Refer to the federal regulations (34 CFR 682.601) and guarantee agency regulations or contact your ED regional office for further information on schools acting as lenders.

11.1.1 Loan Eligibility

In order to obtain a Stafford, SLS, or parent's PLUS loan, a student must be:

- enrolled in an institution which has signed a Program Participation Agreement for participation in this program;

- in a program leading to a degree or certificate;* and

- attending on at least a half-time basis.

*Stafford/SLS/PLUS loans may also be borrowed for up to 12 months of enrollment in a course of study necessary for enrollment in a program leading to a degree or certificate.

Refer to Module 5, Title IV Institutional and Program Eligibility, for further information on the process by which institutions become eligible for participation in guaranteed loan programs.

11.1.2 Lenders

Lenders include banks, savings and loan institutions, credit unions, pension funds, insurance funds, schools, and state agencies that have been approved by a guarantee agency for participation in any or all of the Title IV loan programs. Lenders use private capital (not federal funds) to make loans.

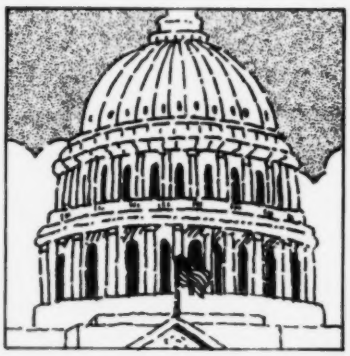
11.1.3 Secondary Markets

Organizations known as "secondary markets" are approved by a guarantee agency to purchase loans from lenders and collect payments. They are also called "subsequent holders" of a loan and are classified as lenders even though the loans do not originate with them. Secondary markets provide a useful service because their purchase of loans allows lenders to make additional loans. The Student Loan Marketing Association (SLMA, or "Sallie Mae") is a major secondary market.

11.1.4 Guarantee Agencies

Guarantee agencies are state or private nonprofit agencies that administer the Stafford Loan, SLS, PLUS, and Consolidation loan programs. They must be approved by the Department of Education to act as guarantors. Their essential function is to guarantee or insure each loan, protecting the lender against default (failure to repay the loan). For this service, the guarantee agency usually charges an insurance premium (guarantee fee) which is normally paid by the borrower.

11.1.5 The Department of Education's Administration of the Stafford Loan, SLS, and PLUS Programs



In addition to approving schools and guarantee agencies for participation in loan programs, the Department of Education currently:

- ✧ issues regulations, policies, handbooks, and bulletins;
- ✧ for Stafford Loan borrowers, makes interest payments called "interest benefits" or an "interest subsidy" to the lender while a student borrower is still in school and eligible to receive a loan, during the grace period (before the student enters repayment), and during authorized deferment

periods when the student is not required to repay the loan;

- ✧ makes payments to the lender called the "special allowance" which are based on the average bond equivalent rate of 91-Day Treasury Bills (ED pays lenders a special allowance on Stafford, SLS, PLUS, and Consolidation loans to give them an equitable yield on student loans in comparison to other types of loans at higher interest rates);

- ✧ reinsures loans by reimbursing guarantee agencies for defaulted loans; and

- ✧ takes further collection action against defaulters by requiring guarantee agencies to assign (transfer) defaulted loans to ED.

Now that you know the major players and their roles in the guaranteed loan process, we will move on to examine

Differences between Stafford Loan/SLS/PLUS and Other Title IV Program Eligibility Restrictions and Requirements

Stafford Loan/SLS/PLUS	*Other Title IV Programs*
Stafford, SLS, and PLUS loans are available for graduate and professional study as well as undergraduate study.	Graduate students are ineligible for awards from the Pell Grant and Supplemental Educational Opportunity Grant programs.
Members of a religious community or order are eligible to borrow, even if they are receiving maintenance expenses from the community or order.	Members of a Religious Community or Order who are receiving maintenance expenses are ineligible to receive other Title IV funds.
A determination must be made of an undergraduate Stafford or SLS applicant's Pell Grant eligibility before the aid administrator may certify a Stafford or SLS loan application (not applicable to PLUS).	This also applies to the Perkins Loan program, but does not apply to the SEOG and College Work-Study programs.
Students who are enrolled at an approved foreign school may receive a Stafford, SLS, or parent's PLUS loan to attend the foreign school.	No other form of Title IV aid is available to students who are enrolled at foreign schools. However, students may use Pell and campus-based aid in overseas programs of U.S. institutions in which they are enrolled.

student eligibility, the loan application and approval process, the responsibilities of students, and several of the major institutional responsibilities.

11.2 STUDENT ELIGIBILITY AND FINANCIAL NEED

11.2.1 Student Eligibility Requirements and Restrictions

Student eligibility requirements for the Stafford Loan, SLS, and PLUS programs are defined in the federal regulations under 34 CFR 682.201. These regulations include most of the general Title IV student eligibility requirements discussed in Module 6. For example, students can apply for a Stafford, SLS, or parent's PLUS loan only if they are enrolled in or are accepted for enrollment in a program leading to a degree or certificate, are maintaining satisfactory academic progress, and are attending or plan to attend at least half-time at a participating school. Parents may obtain PLUS loans for students meeting these eligibility requirements.

To be eligible for a Stafford/SLS/PLUS loan for periods of enrollment beginning on or after July 1, 1987, a student *must be enrolled or accepted for enrollment in a program leading to a degree or certificate.* There is one exception to this rule: an otherwise eligible student is eligible for loans for one 12-month period during which the student is enrolled in a course of study that the institution has determined is necessary in order for the student to enroll in a program leading to a degree or certificate.

However, there are some major eligibility differences between these loan programs and other forms of Title IV assistance. These are summarized in the table on the previous page.

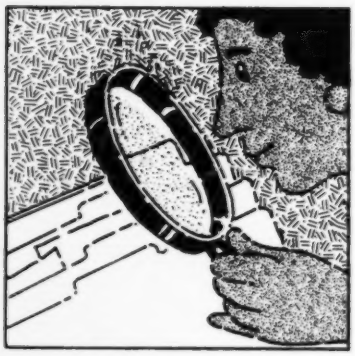
11.2.2 Stafford Loan and SLS Applicants: Eligibility or Ineligibility for a Pell Grant

Before certifying a Stafford Loan or SLS application, the financial aid administrator must determine whether an undergraduate applicant is eligible or ineligible for a Pell Grant, if the school participates in the Pell Grant program. If the applicant is eligible for a Pell Grant, the available grant must be counted as "other financial aid" in determining the Stafford or SLS loan amount that the student may borrow. (Remember that graduate/professional students are never eligible for a Pell Grant.)

The aid administrator may determine a student's eligibility for the Pell Grant program, a necessary procedure in order to certify a Stafford or SLS loan application, by utilizing one of the following methods:

- *Method 1*--using the SAI on the SAR produced by the ED central processor; or

- *Method 2*--using the Pell Grant eligibility determination made by a certified need analysis system according to the Family Contribution Schedule formula and shown on the need analysis document.



A student's eligibility or ineligibility for a Pell Grant may be determined by using Methods 1 or 2 above, or a hand-calculated need analysis may be performed as in Method 3 below:

- *Method 3*--performing a hand-calculation based on the Pell Grant need analysis formula to determine the student's Student Aid Index (SAI). However, if the hand-calculation shows that the student's index is less than 200 SAI points above the maximum for receiving a Pell Grant, then the student is close to eligibility, and the hand-calculation must be confirmed. Confirmation may be obtained by either of the first two methods listed above.

11.2.3 Financial Need

The Stafford Loan Program

The Higher Education Amendments of 1986 required all Stafford Loan applicants to show financial need, regardless of income. The institution can determine the student's eligibility for a federally subsidized Stafford Loan with the following formula:

Cost of Education
minus Expected Family Contribution
minus Other Financial Aid
= Need (eligibility for a federally subsidized Stafford Loan)

Federally subsidized Stafford Loans are loans that are eligible for an interest subsidy (interest benefits). With these loans, interest is paid by the Department of Education during specified periods. Note: Although lenders are not prohibited from making Stafford Loans to students who do not qualify for the federal interest subsidy, such loans are rarely made.

To determine the expected family contribution, institutions must use an official Congressional Methodology-based need analysis system certified by the Secretary of Education for use in the campus-based programs, even if the institution does not participate in campus-based programs. The Stafford Loan cannot be used to replace all or part of the expected family contribution.

PLUS and SLS loans may be used to replace all or part of the expected family contribution. Any PLUS/SLS amount in excess of that used to replace the EFC is included in Other Financial Aid.

Although the SLS and PLUS programs are not need-based, determinations of the expected family contribution and Pell Grant eligibility are required in establishing SLS eligibility. In addition, SLS and PLUS loans, in combination with each other and with other aid, may not exceed the cost of education. Assuming that a Stafford Loan is taken before SLS or PLUS loans, the following formulas will apply:

The law requires that an institution determine Pell Grant and Stafford Loan eligibility before certifying an SLS loan application.

Cost of Education	Cost of Education
minus Stafford Loan for Period	*minus* Stafford Loan for Period
minus SLS for Period	*minus* PLUS for Period
minus Other Financial Aid	*minus* Other Financial Aid
= Need (PLUS Eligibility: maximum of $4,000)	= Need (SLS Eligibility: maximum of $4,000)

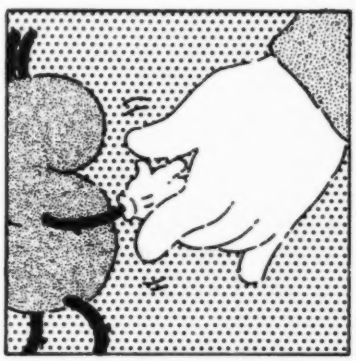
A financial aid administrator may not certify a loan application in excess of the maximum loan amounts allowed for an academic year.

11.3 THE LOAN PROCESS

11.3.1 Terms, Concepts, and Processes

The loan process involves many specialized terms and concepts. The most important ones are defined and discussed below.

Borrowers, Limits, and Interest Rates



New borrowers are those who have no outstanding Stafford, SLS, PLUS, or Consolidation loan balances on the date they sign the promissory note.

Borrower: The person or persons responsible for repaying the loan. For the Stafford Loan and SLS programs, the borrower is the student. For the PLUS program, the borrower is the parent or parents. Regulations (and this module) will refer to "new borrowers." A *new borrower* is one who has no outstanding Stafford, SLS, PLUS, or Consolidation loan balance on the date the borrower signs the promissory note for a loan. Interest rates may be different for new borrowers and borrowers with outstanding loans.

Principal: Principal refers to the amount borrowed. For the Stafford Loan program, a student who the school determines has not successfully completed the first or second year of an undergraduate program may borrow up to $2,625 per academic year. A student who the school

determines has successfully completed the first and second year of an undergraduate program, but who has not successfully completed the undergraduate program, may borrow up to $4,000 per academic year. Graduate and professional students may borrow up to $7,500 per academic year.

Stafford Loan--academic year maximum:

$2,625 for undergraduates, 1st or 2nd year status
$4,000 for undergraduates, 3rd year to completion
$7,500 for graduate and professional students

Under the SLS and PLUS programs, the following borrowing limits apply to all borrowers, regardless of the student's year in school or undergraduate, graduate, or professional status:

SLS--academic year maximum: $4,000

PLUS--academic year maximum: $4,000

Aggregate Borrowing Limits: Aggregate (cumulative) borrowing limits represent the total amount a student may borrow under one or more programs.

Stafford Loan--An undergraduate may borrow up to $17,250 under the Stafford Loan program. The unpaid balance of Stafford Loans taken out for a combination of undergraduate and graduate or professional study may not exceed $54,750. This aggregate limit also includes any portion of a borrower's Consolidation loan that was used to repay a Stafford Loan.

SLS--The cumulative amount a student may borrow under the SLS program is $20,000, regardless of amounts borrowed under any other program.

PLUS--The cumulative amount a parent may borrow under the PLUS program is $20,000 per dependent student.

Interest: A fee charged for the use of money over a period of time. Interest on a loan accrues (accumulates) every day during the life of the loan.

Stafford Loan Interest Rates: Interest rates have changed over the years, resulting in outstanding loans at 7%, 8%, and 9%. Students who already have an outstanding Stafford Loan at 7% or 9% must continue to borrow any further Stafford Loans at the rate established for their first loan. The interest rate for new borrowers (those with no outstanding Stafford, SLS, or PLUS loans at the time they sign their notes) will be 8% for the first four years of repayment and 10% thereafter.

In determining whether a student has completed the second year in an undergraduate program, the aid administrator will examine the program in which the student is currently enrolled. For example, suppose Maria Valdez already has an undergraduate degree in English, and is now enrolled in a different undergraduate program, a B.A. program in engineering. To determine the maximum Stafford Loan for which Maria is eligible in her engineering studies, the FAA will determine:

- whether Maria has completed her second year in the engineering program; and
- the amount outstanding, if any, of the Stafford Loan and other loans borrowed for her previous studies in *English and Engineering.*

A student who is enrolled in a program which is normally completed in 2 years may not borrow more than $2,625 per academic year while earning that 2-year degree or certificate. This is true even if the student takes longer than 2 years to complete the program. For example, suppose John Walker is enrolled in an A.A. degree (2-year) program. He attends school for 2 years and receives a Stafford Loan of $2,625 each year. At the end of 2 years, while still maintaining satisfactory academic progress, he has not completed the degree requirements and will attend for another year. John may be eligible for another Stafford Loan of $2,625, but cannot borrow a greater amount for the next academic year.

Stafford Loan Interest Subsidy: The Department of Education pays the interest on a Stafford Loan when the borrower is eligible and enrolled in school at least half-time, during the grace period, and during authorized periods of deferment. During these periods, ED pays interest to the lender on behalf of the borrower. These payments are known as an interest subsidy. Stafford Loan borrowers pay interest during the repayment period, while they are also repaying the principal.

Note that ED does not pay interest on behalf of the borrower (an interest subsidy) for SLS, PLUS, or Consolidation loans.

SLS/PLUS Interest Rates: For SLS and PLUS loans made for periods of enrollment beginning on or after July 1, 1987, the interest rate will vary. This rate changes annually as of each July 1, but will not exceed 12%.

Consolidation Loan Interest Rates: The interest rate on a Consolidation loan is either 9% or a specially calculated weighted average of the interest rates on the loans that will be discharged by the Consolidation loan, whichever is the greater. For an example of the special method of average calculation, see the "Dear Colleague" letter of December 1986 (G-86-97/L-86-96).

Guarantee Fee: An insurance fee (calculated as a percentage of the loan amount) charged the lender by the guarantee agency. The fee is usually passed on to the Stafford Loan, SLS, or PLUS borrower. In most cases, the lender reduces the loan check by this amount. Guarantee fees are not charged on Consolidation loans.

Stafford Loan Origination Fee: A fee calculated on the amount borrowed under the Stafford Loan program and charged to the borrower by the lender. The purpose of the fee is to reduce the cost to the federal government of administering the loan program. Lenders must remit these fees to ED or retain them as an advance of the federal payment of the special allowance. As with the guarantee fee, this fee is subtracted from the loan check. If a student borrows $2,500, the first disbursement check might be in the amount of $1,125, reflecting deductions for the guarantee and origination fees.

In counseling students regarding Stafford Loan, SLS, or PLUS loans, it is helpful to remind them that their loan check will be less than the amount borrowed. The lender will subtract fees before making out the check.

Loan Documentation

Promissory Note: A legal document (contract) which binds a borrower to repay the loan. It describes the terms and conditions of a loan, including the amount borrowed, the interest rate on the loan, and the circumstances which will determine when the student must begin repaying the loan. The student must sign and return the promissory note to the lender before the lender can disburse a check.

Disclosure Statement: A statement provided to the student by the lender giving the following information:

- the name of the lender and the address to which communications and payments must be sent;
- the principal amount of the loan;
- the maximum yearly and cumulative amounts that may be borrowed under the loan program;
- a statement of the total cumulative balance of all loans owed by the student to that lender and an estimated monthly payment amount based on that cumulative balance;
- the interest rate;
- the fees charged in making or collecting the loan;
- an explanation of when repayment will be required and when the borrower will be obligated to pay interest that accrues on the loan;
- the maximum length of the repayment period and the minimum annual repayment;
- deferment conditions;
- an explanation of refinancing and loan consolidation options; and
- the definition of default, including a statement that default will be reported to a credit bureau or credit reporting agency.

The disclosure statement must also explain, to whatever extent is practicable, the effect of accepting the loan on eligibility for other financial aid.

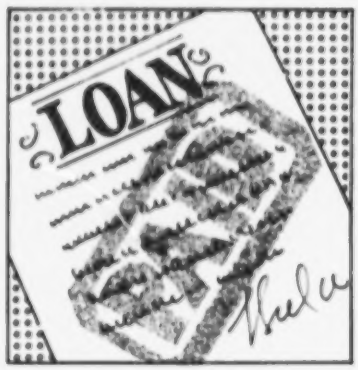
The law requires two disclosure statements. The first can be provided as a separate form, or included in the loan application or promissory note. The statement itself is not a binding document, but is meant to be informative. A copy of the disclosure statement is given to the borrower before or at the time the loan check is disbursed.

The second disclosure statement includes specific repayment provisions. It must be provided before the borrower begins repayment.

Loan Repayment

Grace Period: This term applies to the Stafford Loan program only--there is no grace period for SLS, PLUS, or Consolidation Loan borrowers. It is the period of time beginning on the date a Stafford Loan borrower ceases to be enrolled at least half-time at a participating school and ending when the repayment period begins. On 8% and 9% Stafford Loans, the grace period is 6 months. On 7% Stafford Loans, the grace period is 9-12 months, with the specific time determined by the guarantee agency and the lender. If a borrower returns to school on at least a half-time basis prior to the expiration of the grace period, the full grace period begins again when the student again ceases to be enrolled at least half-time at a participating school. Please note that separate rules apply to Stafford Loan borrowers enrolled in correspondence study--see 34 CFR 682.209.

Repayment Period: The period during which the borrower repays the loan.

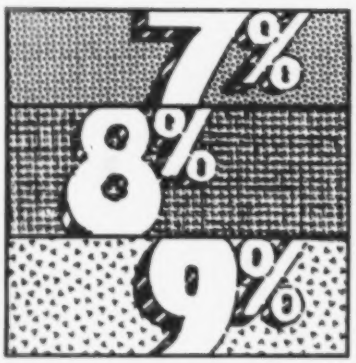


Stafford Loan/SLS/PLUS Repayment Periods: The basic repayment period for a Stafford, SLS, or PLUS loan must be no longer than 10 years. In practice, most repayment periods range from 5 to 10 years. Authorized deferments and forbearance periods do not count in the 10-year requirement. The borrower may arrange to repay a loan in less than 5 years; however, if the borrower later requests it, the repayment period can be extended to 5 years or more. Repayments of Stafford, SLS, and PLUS loans on behalf of student borrowers can be made in certain circumstances by the Department of Defense for active duty in the Armed Services.

Consolidation Loan Repayment Periods: Consolidation loans may be arranged to combine loans made to students under Title IV programs and the Health Professions Student Loan (HPSL) program. These loans provide

repayment periods appropriate for the total amount outstanding. For example, a student whose total loan debt exceeds $7,500 may be given a repayment period longer than 10 years. In calculating the student's total loan debt to arrange a repayment schedule, the lender will consider loan debts that are not included in the Consolidation loan itself. For instance, if the student has a loan from another public or private loan program that was made exclusively to help finance the student's postsecondary education, that loan will be considered in determining the period over which the Consolidation loan must be repaid. In this way, the lender helps to ensure that the borrower will be able to make payments on the Consolidation loan while making payments to the other loan source as well.

Repayment Schedule: A schedule of payments to be made during a repayment period. Repayment schedules are arranged by the lender and borrower according to certain requirements. Generally, the minimum monthly payment on Stafford, SLS, PLUS, and Consolidation loans is $50, with annual minimum payments set at $600. The actual minimum payment depends on the total debt. For example, with total loans of $10,000, the minimum monthly payment is $121.33. The lender and borrower may agree on lesser amounts if the lender grants forbearance. Lesser amounts also may be agreed upon in other situations, provided that the 10-year maximum repayment period for Stafford, SLS, and PLUS loans is not exceeded.



Stafford Loan Repayment Schedule: Monthly repayments of principal and interest depend on the interest rate of the loan, the amount outstanding, and the length of time the loan is in repayment. Look at the chart and note the differences in the amounts of monthly payments and total interest charges for 5- and 10-year loans at 8% interest.

Loan Amount	*Number of Payments*	*Monthly Payment*	*Interest Charges*	*Total Repaid*
$2,500	60 (5 yrs.)	$50.70	$ 541.46	$3,041.46
5,000	60 (5 yrs.)	101.39	1,082.92	6,082.92
10,000	120 (10 yrs.)	121.33	4,559.31	14,559.31
12,500	120 (10 yrs.)	151.67	5,699.14	18,199.14
20,000	120 (10 yrs.)	242.66	9,118.62	29,118.62

Payment Plans for Repaying a Loan at 8%. (Figures may vary slightly depending on the computation method used by the lender.)

Consolidation Loan Repayment Schedule: Repayment of a Consolidation loan must begin within 60 days after the selected loans have been consolidated. The maximum repayment period depends on the sum of the Consolidation loan *and any other student loans owed by the borrower.* The actual period may be less, depending on the wishes of the lender and borrower.

Sum of Consolidation Loan and Any Other Student Loans	Maximum Repayment Period
$5,000 - $7,499	10 years
$7,500 - $9,999	12 years
$10,000 - $19,999	15 years
$20,000 - $44,999	20 years
$45,000 or more	25 years

Authorized Deferment: A period (after the repayment period has begun) during which the borrower is allowed to temporarily discontinue payments. If the borrower provides the required documentation, lenders must approve a deferment under specific circumstances which are usually outlined on the promissory note. Students who borrow under the Stafford Loan and SLS programs are entitled to the same authorized deferments; parent PLUS borrowers are entitled to a more limited set of deferments. (Prior to passage of the Higher Education Amendments of 1986, independent undergraduate students were allowed to borrow under the PLUS program. These student borrowers are allowed the same deferments as those offered under the Stafford Loan and SLS programs.)

Stafford Loans: ED will pay the lender interest benefits during authorized deferments.

SLS, PLUS, and Consolidation Loans: ED does not pay interest benefits during authorized deferments.

Appendix C gives examples of circumstances under which deferments are granted. A complete list of authorized deferments may be found in the "Dear Colleague" letter of December 1986, G-86-97/L-86-96. Additional deferment provisions are included in the "Dear Colleague" Letter of July 1987, GEN 87-29/ 87-L-108/87-G-109.

Forbearance: Permission given to the borrower by the lender to suspend payments temporarily, extend payment dates, or make smaller payments. Interest accrues to the borrower during periods of forbearance. Forbearance may be given for circumstances which are not covered by deferment, and is usually given in situations where personal problems affect the student's ability to meet loan payment obligations. Included are such temporary

hardships as hospitalization or short-term unemployment. Forbearance may also be given to a borrower in repayment who returns to a school which has not signed a Program Participation Agreement with ED to participate in the Stafford Loan, SLS, and PLUS programs, thereby disqualifying the student from a regular deferment. Lenders are encouraged, but not required, to give forbearance in situations such as these.

Cancellation: Release from a Stafford, SLS, or PLUS loan obligation due to the death or total and permanent disability of the borrower. If one of these conditions can be documented, the Department of Education will cancel the loan obligation by repaying the lender the amount owed.

Default: A status which is defined by regulation and which is first determined by the lender, which then files a claim with the guarantee agency or ED. Default is based on the borrower's failure to make a payment when it is due, or other violations of the terms of the promissory note--see the citation in the margin for details.

Default: The failure of a borrower to make an installment payment when due, or to meet other terms of the promissory note under circumstances where the Secretary or guarantee agency finds it reasonable to conclude that the borrower no longer intends to honor the obligation to repay, provided that this failure persists for 180 days for a loan repayable in monthly installments or 240 days for a loan repayable in less frequent installments. 34 CFR 682.200

11.3.2 Flow Charts of the Loan Process

The Stafford Loan process can be divided into two basic stages:

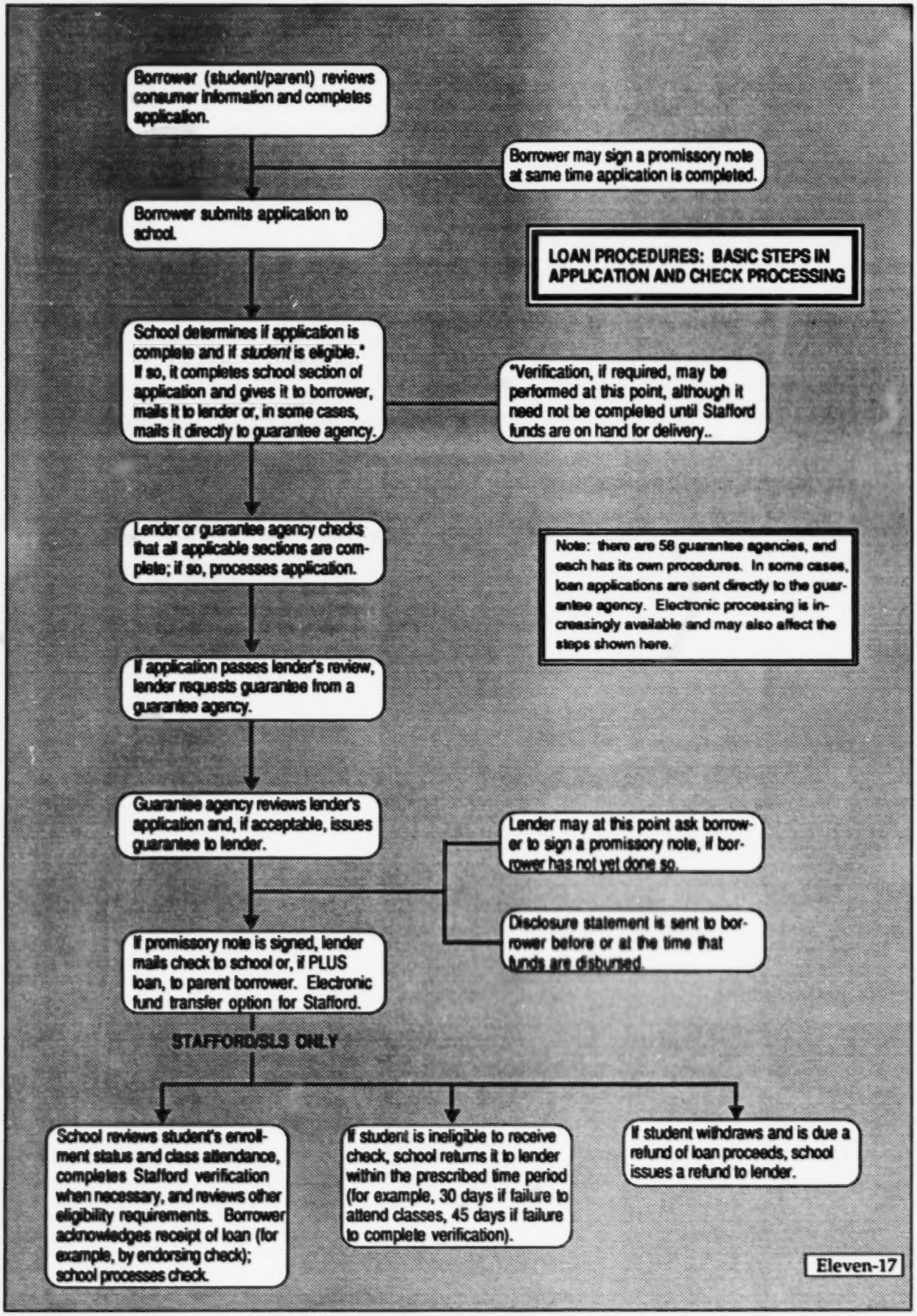
- Application and In-School Period--the application completion and processing steps leading to the disbursement of Stafford Loan funds. While remaining enrolled at least half-time and otherwise eligible, the student makes no payments on the Stafford Loan.

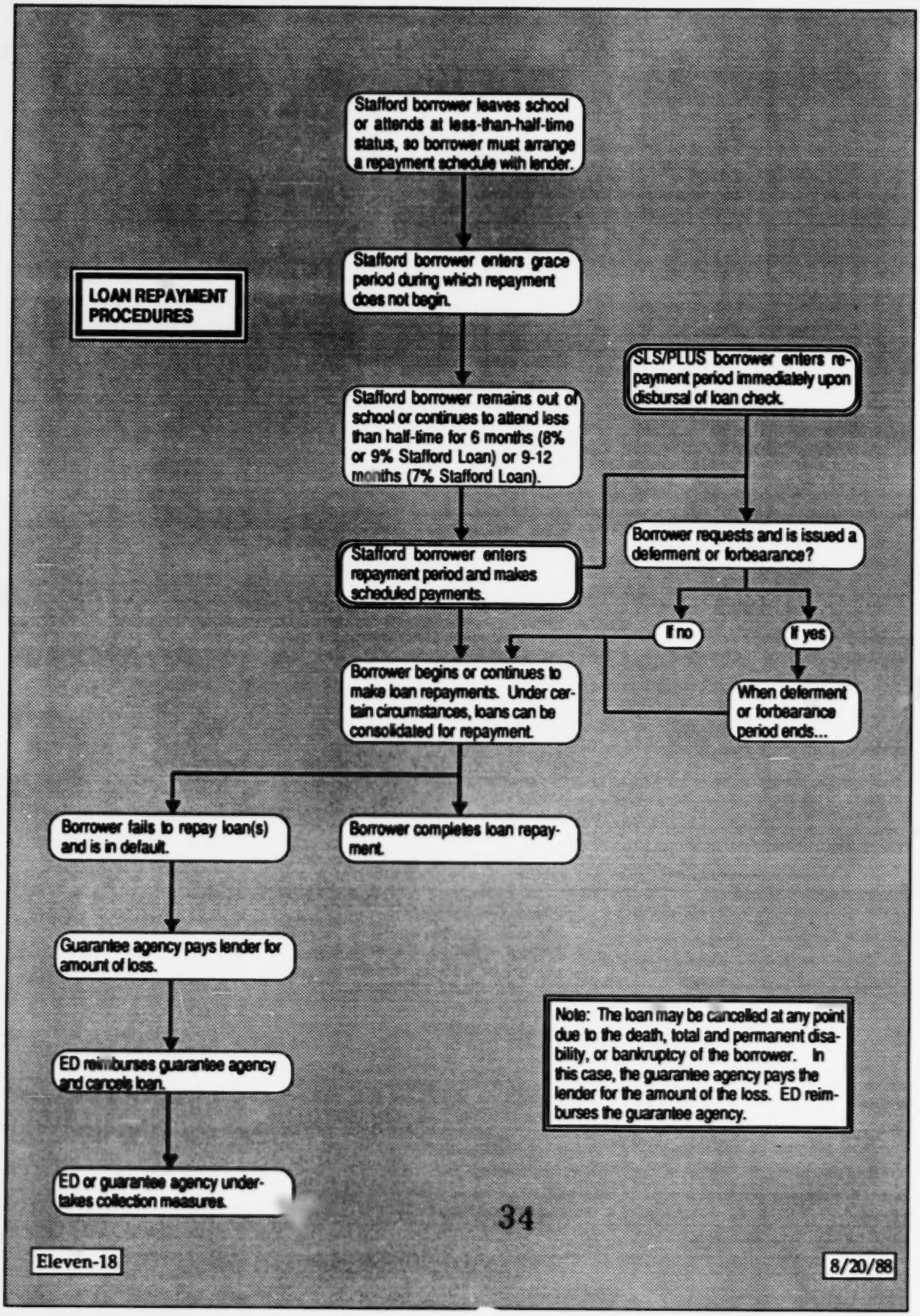
- Out-of-School Period--grace, repayment, forbearance, and deferment periods that follow the point at which the student stops attending school at least half-time.

The SLS/PLUS loan process is slightly different. There is no grace period--the repayment period begins upon disbursement of the check, and the first repayment is due within 60 days. However, the borrower may qualify for one of several enrollment-based deferments. When granting a deferment, the lender may require the borrower to make interest payments during the deferment period (usually paid quarterly) or may capitalize the interest for payment along with payment of principal.

The flow charts on the following pages show basic steps in application and check processing and loan repayment. The charts provide an overall picture of these processes.

This module emphasizes the school's application, check processing, and counseling responsibilities. Although grace periods (Stafford Loan), periods of deferment and forbearance, and the repayment period are the responsibility of the lender, schools must be familiar with them in order to provide effective counseling for borrowers.


Borrower (student/parent) reviews consumer information and completes application.
Borrower may sign a promissory note at same time application is completed.
Borrower submits application to school.
LOAN PROCEDURES: BASIC STEPS IN APPLICATION AND CHECK PROCESSING
School determines if application is complete and if *student* is eligible.* If so, it completes school section of application and gives it to borrower, mails it to lender or, in some cases, mails it directly to guarantee agency.
*Verification, if required, may be performed at this point, although it need not be completed until Stafford funds are on hand for delivery..
Lender or guarantee agency checks that all applicable sections are complete; if so, processes application.
Note: there are 58 guarantee agencies, and each has its own procedures. In some cases, loan applications are sent directly to the guarantee agency. Electronic processing is increasingly available and may also affect the steps shown here.
If application passes lender's review, lender requests guarantee from a guarantee agency.
Guarantee agency reviews lender's application and, if acceptable, issues guarantee to lender.
Lender may at this point ask borrower to sign a promissory note, if borrower has not yet done so.
Disclosure statement is sent to borrower before or at the time that funds are disbursed.
If promissory note is signed, lender mails check to school or, if PLUS loan, to parent borrower. Electronic fund transfer option for Stafford.
STAFFORD/SLS ONLY
School reviews student's enrollment status and class attendance, completes Stafford verification when necessary, and reviews other eligibility requirements. Borrower acknowledges receipt of loan (for example, by endorsing check); school processes check.
If student is ineligible to receive check, school returns it to lender within the prescribed time period (for example, 30 days if failure to attend classes, 45 days if failure to complete verification).
If student withdraws and is due a refund of loan proceeds, school issues a refund to lender.
Eleven-17

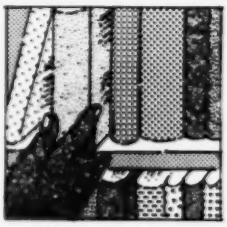

LOAN REPAYMENT PROCEDURES
Stafford borrower leaves school or attends at less-than-half-time status, so borrower must arrange a repayment schedule with lender.
Stafford borrower enters grace period during which repayment does not begin.
Stafford borrower remains out of school or continues to attend less than half-time for 6 months (8% or 9% Stafford Loan) or 9-12 months (7% Stafford Loan).
Stafford borrower enters repayment period and makes scheduled payments.
SLS/PLUS borrower enters repayment period immediately upon disbursal of loan check.
Borrower requests and is issued a deferment or forbearance?
If no
If yes
When deferment or forbearance period ends...
Borrower begins or continues to make loan repayments. Under certain circumstances, loans can be consolidated for repayment.
Borrower fails to repay loan(s) and is in default.
Borrower completes loan repayment.
Guarantee agency pays lender for amount of loss.
ED reimburses guarantee agency and cancels loan.
ED or guarantee agency undertakes collection measures.
Note: The loan may be cancelled at any point due to the death, total and permanent disability, or bankruptcy of the borrower. In this case, the guarantee agency pays the lender for the amount of the loss. ED reimburses the guarantee agency.

11.3.3 How Borrowers Begin the Application Process

The student or parent borrower begins the loan process with a review of consumer information. Information on loan programs and the application process is available from schools, lenders, guarantee agencies, and ED.

Regulations specify the forms of consumer information that schools and lenders must make available to current and prospective students. This consumer information:

- ✧ helps the student make informed decisions on whether to enroll in a given educational program, whether to borrow, and how much to borrow; and
- ✧ informs borrowers of their rights and responsibilities.



For more information, see Chapter 9 of the *Federal Student Financial Aid Handbook* and *The Student Guide*.

There is a more detailed list of rights and responsibilities in the *Federal Student Financial Aid Handbook*. Please refer to this source. Module 15 also discusses consumer publication regulations.

After deciding to borrow under a guaranteed loan program, the borrower obtains an application form from the educational institution, the guarantee agency, or the lender. Applications vary slightly in format, depending upon the state and guarantee agency that will process the loan. However, the same basic information will be collected on any Stafford or SLS/PLUS loan application form.

The student's section of a typical Stafford Loan application form is reproduced on the next page. Note the sections dealing with personal information, loan history, and references. The reference section serves a very important purpose. If the lender and the institution lose contact with a student, the relatives and friends listed in the reference section should be able to provide the student's current address.

Guarantee agencies must include a Statement of Educational Purpose in the borrower's certification section of Stafford Loan and SLS/PLUS applications.

STUDENT'S SECTION OF A SAMPLE STAFFORD LOAN APPLICATION

SECTION A--TO BE COMPLETED BY THE STUDENT--READ THE INSTRUCTIONS--TYPE OR PRINT IN INK

1. Social Security Number
2. Last Name First Name Middle Name
3. Citizenship Status ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
4. Permanent Home Address _____ City State Zip
5. Date of Birth
6. Phone Number (_ _) _ _ _-_ _ _ _
7. Driver's License State Number
8. Major Course of Study
9. Intended Enrollment Status ❑ Full-time ❑ At least half-time
10. Requested Loan Amount $
11. Loan Period From To
12. Have you ever defaulted on an education loan? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.
13. Do you have any unpaid student loans? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form.
13a. Total unpaid balance of your most recent Stafford/GSL $
13b. Interest rate on your most recent Stafford/GSL %
13c. Grade level of your most recent Stafford/GSL (see instructions)
13d. Beginning and ending dates of your most recent Stafford/GSL From To
13e. Total unpaid balance of all your Stafford/GSL loans, including any portion included in a Consolidation loan $
14. Name and address of previous lender, if any
15. References--You must give three different adult references with different addresses (carefully read instructions)

15a. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

15b. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

15c. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

16. I have read, understand, and agree to the terms of the Borrower's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Student Borrower _____ Date _____

On the next page, we have reproduced Sections A and B of a sample SLS/PLUS application. Section A must be completed by the borrower--the parent (PLUS) or the student (SLS). Section B must be completed by the student, even if the student is the borrower and duplicate information is entered in Section A. Both these sections must be completed before the school can complete its section.

BORROWER'S AND STUDENT'S SECTIONS OF A SAMPLE SLS/PLUS LOAN APPLICATION

SECTION A--TO BE COMPLETED BY BORROWER (PARENT OR STUDENT)--READ THE INSTRUCTIONS

1. Social Security Number
2. Last Name First Name Middle Name

3. Citizenship Status
   ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
4. Permanent Home Address
   _____
   _____
   City State Zip
5. Date of Birth

6. Phone Number
   (_ _) _ _ _-_ _ _ _
7. Driver's License
   State Number
8. Requested Loan Amount
   $

9. Have you ever defaulted on an education loan? ❑ Yes ❑ No
   If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.

10. Do you have any unpaid SLS/PLUS loans for the student identified in Section B? ❑ Yes ❑ No
    If yes, enter the information only for the student identified in Section B.

10a. Total unpaid balance of your most recent SLS/PLUS loan $

10b. Grade level of your most recent SLS/PLUS loan

10c. Beginning and ending dates of your most recent SLS/PLUS loan From To

10d. Total unpaid balance of all your SLS/PLUS loan loans, including any portion included in a Consolidation loan $

11. References--You must give three different adult references with different addresses (carefully read instructions)

11a. Name _____
Address _____
_____
Phone Number (_ _) _ _ _-_ _ _ _

11b. Name _____
Address _____
_____
Phone Number (_ _) _ _ _-_ _ _ _

11c. Name _____
Address _____
_____
Phone Number (_ _) _ _ _-_ _ _ _

12. I have read, understand, and agree to the terms of the Borrower's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Borrower _____ Date _____

SECTION B--TO BE COMPLETED BY THE STUDENT--READ THE INSTRUCTIONS

13. Social Security Number
14. Last Name First Name Middle Name

15. Citizenship Status
    ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
16. Date of Birth
17. Major Course of Study
18. Intended Enrollment Status
    ❑ Full-time ❑ At least half-time
19. Loan Period
    From To

20. Have you ever defaulted on an education loan? ❑ Yes ❑ No
    If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.

21. Name and address of previous lender, if any

22. I have read, understand, and agree to the terms of the Student's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Student _____ Date _____

11.4 LOAN APPLICATION PROCESSING AT THE INSTITUTION

11.4.1 Determining the Student's Eligibility for a Stafford Loan, SLS, or Parent's PLUS Loan

As described in Section 11.3.3, students may begin the application process by obtaining an application form from your institution or from an approved lender. Once the student's section of the application is completed, the student typically delivers it to the school for processing. (However, electronic processing of loan applications may change the steps in loan processing.)

In the first stage of its involvement, the financial aid office must:

- ✧ determine whether the Stafford Loan applicant:
  - has financial need; and
  - if an undergraduate, whether the applicant is eligible for the Pell Grant program;
- ✧ determine whether the student is enrolled or intends to enroll at least half-time;
- ✧ determine whether all other eligibility criteria have been met, including verification, if required, of a Stafford Loan applicant;
- ✧ check for conflicting information in other institutional records; and
- ✧ if applicable, obtain a Statement of Selective Service Registration Status.

The institution must determine a student's Pell Grant and Stafford Loan eligibility before certifying an SLS application. See Modules 8 and 10 for additional information regarding need analysis and Pell Grant eligibility.

Conflicting information is inconsistent or contradictory information in the institution's records. This includes, but is not limited to, records in the financial aid, admissions, registrar's, or veterans offices.

After these basic processing steps are taken, the financial aid administrator carefully reviews the application. Remember, although a parent is the borrower of a PLUS loan, both the parent and the student for whom the parent is borrowing must be eligible for the loan under Title IV regulations. The sample Stafford Loan and SLS/PLUS applications in this module would be reviewed with attention to the following:

- ✧ Is the application complete? Return it to the borrower if incomplete.
- ✧ Are you still awaiting financial aid transcripts (FATs) from other postsecondary institutions the

student has attended? If so, you may send the loan application to the lender (except for the PLUS program) but may not deliver a loan check until all requested FATs have been received.

- ✧ Does the student or parent need to verify citizenship status? If so, you must request supporting documentation before continuing to process the application.

- ✧ Is the student or parent in default on a Title IV loan? Does the student or parent owe a repayment on a Title IV grant? Regulations allow you to rely on a written statement that the borrower is not in default on a Title IV loan and does not owe repayment on a Title IV grant received for study at any institution unless you have information to the contrary. You must check your institution's records to determine whether the student or parent is in default on a loan or owes a repayment on a grant received for attendance at your school. You must also review any financial aid transcripts which are in the student's file for indications of default on a loan or repayment due on a grant received for attendance at another school. You must not certify a loan application for a student or parent who is in default or who owes a repayment.

Parents may not borrow for a student who is in default or who owes a repayment. Also, the parent borrower may not be in default on any Title IV loan or owe repayment of Title IV funds.

- ✧ If you have information showing that the student or parent has borrowed before, does the borrower have remaining eligibility with regard to the aggregate limits set for the programs?

11.4.2 Completion of the School's Section of the Stafford Loan Application

If the student is found to be eligible for a Stafford Loan, the school will proceed to fill out its section of the loan application. Completing the school's section requires further review of the student's application data followed by a series of processing steps. Let's examine some major elements of the school's section of the sample Stafford Loan application. (Application forms at different schools will be quite similar.)

Look at the school's section of the sample Stafford Loan application on the next page, and note the following items:

SCHOOL'S SECTION OF A SAMPLE STAFFORD LOAN APPLICATION

SECTION B--TO BE COMPLETED BY THE SCHOOL

17. Name and address of school _____ 18. Phone Number (__)___-____ 19. School Code ___
20. Grade Level Code __ 21. Expected Graduation Date _____
22. Enrollment period covered by loan 23. Dependency Status ❑Dependent ❑Independent

24. Family adjusted gross income $ | 25. Estimated cost of attendance for loan period $ | 26. Estimated financial aid for loan period $ | 27. Expected family contribution $

28. Difference (25 minus the sum of 26 and 27) $ | 29. Recommended Disbursement Dates Month Day Year Month Day Year Month Day Year

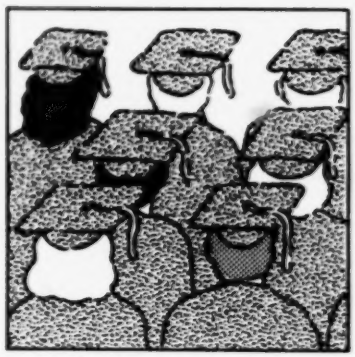
30. I have read and understand the terms of the School's Certification on the back of this form.
Signature of School Official _____ Date _____
Print Name and Title _____

- *Item 1, Social Security Number*--The school should confirm the student's Social Security number in the *student's* portion (see page 20) of the application. This will help to prevent errors and misrepresentation.

- *Item 19, School Code*--This is a code number given to the school by ED at the time the school is approved to participate in the Stafford Loan program.

- *Item 20, Grade Level Code*--This information will always be required. Amounts students are eligible to borrow will depend on grade level. Sometimes the guarantee agency requires a student to progress to the next grade level before approval of a second application. Guarantee agencies differ in their requirements with regard to subsequent loan approval.

- *Item 21, Expected Graduation Date*--The student's date of graduation is projected for the program in which the student is currently enrolled, using institutional records or a statement from the student. This date allows guarantee agencies to calculate insurance premiums and determine when repayment may be expected to begin. The school will be asked to confirm the student's enrollment and address in periodic reports to the guarantee agency throughout the student's period of attendance. The school may also be asked to update the expected graduation date on these reports.



- *Item 22, Enrollment Period Covered by Loan*--You will probably use the information supplied by the student in the Student's Section. It may cover the entire period the student expects to attend during the academic year and cannot exceed 12 months. It generally starts with the first day of classes and ends with the last day of classes. However, the loan period may be less than an academic year.

- *Item 23, Dependency Status*--This will be used for statistical purposes by the guarantee agency and the federal government. In the financial aid office, dependency status is used to determine whether an expected family contribution should be based upon parental information. This item is important documentation which is examined by auditors and program reviewers.

  Be sure you do not have conflicting information on file regarding the student's dependency status. Resolve all conflicts on dependency status before processing the application.

Refer to Module 13 for verification requirements for Stafford Loan applicants.

The additional items that follow require institutions to report financial information which supports the student's eligibility for the loan. These items are important documentation which will be reviewed by auditors and program reviewers, and which must be consistent with other information in the student's financial aid file.

Cost of Attendance or "Student Budget" (Item 25)

The loan application requires a figure for the cost of attendance for the loan period. If cost of attendance figures have been developed for a full academic year and if the student's expected enrollment or loan period is less than one academic year, the cost of attendance for the student must be prorated for the period of attendance.

Cost of attendance (or student budget) figures used for the Stafford Loan, SLS, and PLUS programs are generally the same as those used for awarding campus-based funds. The cost of attendance defined in the Higher Education Amendments of 1986, as amended, includes the cost of tuition and fees, room and board, books and supplies, transportation and commuting costs, and miscellaneous personal expenses. However, special restrictions apply to the cost of attendance for correspondence study (see 34 CFR 682.200). Review Module 7 if you have questions about calculating the cost of attendance.

A student expense budget (cost of attendance) may include *only* the direct educational costs of the student.

Estimated Financial Aid (Item 26)

The *estimated financial aid* for the loan period projects all anticipated federal and nonfederal financial aid for the loan period. This figure will include financial aid which the student has already received, has been awarded and will receive, or can be expected to qualify for.

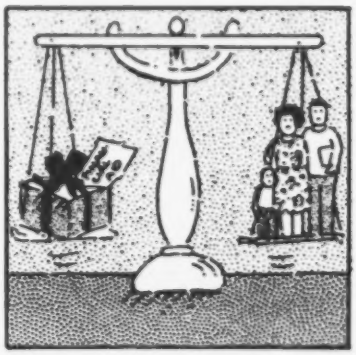
- ✧ A determination must be made of an undergraduate Stafford/SLS loan applicant's Pell Grant eligibility or ineligibility. If the student is eligible for a Pell Grant, the school must include the estimated grant in estimated financial aid.

- ✧ A determination must be made of an SLS loan applicant's Stafford Loan eligibility. If the student is eligible for a Stafford Loan, the school must include the amount of this loan in estimated financial aid.

- ✧ Veterans educational and Social Security educational benefits must also be included in estimated financial aid.

Stafford Loan Program: Expected Family Contribution (Item 27)

An expected family contribution (EFC) must be determined and entered on the student's Stafford Loan application. Any certified Congressional Methodology-based need analysis system may be used to determine the expected family contribution. An EFC for an award year is provided on the student's need analysis report from a service agency or on the Pell Grant Student Aid Report from the central processor. Financial aid administrators may also perform hand calculations using the CM need analysis formula to determine an EFC.



An expected family contribution must be prorated to match the length of the loan period. For periods of enrollment other than 9 months, the EFC is determined as explained in Module 8.

Refer to Module 8 for further information on need analysis.

Any adjustments to the EFC based on the professional judgement of the financial aid administrator because of special family circumstances must be documented in the student's file.

Stafford Loan Eligibility--
Need for the Stafford Loan (Item 28)

After the estimated financial aid and expected family contribution have been subtracted from the cost of attendance, the difference is entered on the form. This difference represents need for a Stafford Loan. The loan requested by the student may not exceed this need or the academic year maximum. The aid administrator may not certify any loan application for an amount that exceeds need or academic year and aggregate limits.

You may want to notify the student when the amount applied for exceeds eligibility. A student's request to borrow more than the amount for which he or she is eligible generally results from a misunderstanding of a program's eligibility requirements. However, it may also stem from the student's special circumstances and indicate a need to revise the financial aid package. For instance, the student may be eligible to borrow the amount originally requested if the College Work-Study award is reduced. Counseling at this point may be advisable.

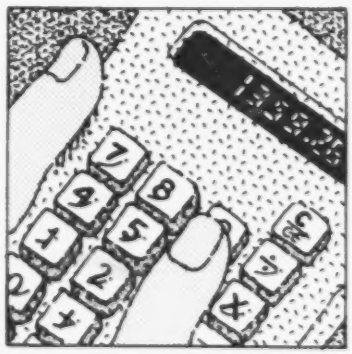
When all questions in the school's section have been completed, the aid administrator signs the school's certification.

This sample loan application also asks the aid administrator to give suggested disbursement dates (Item 29). This allows the lender to coordinate the disbursement of the checks with the dates the institution would like payment to be available.

After completing the institution's section of the loan application, the aid administrator retains the school's copy and either returns the application to the student for delivery to a lender or mails the application directly to a lender designated by the student. (Application data are sometimes transmitted directly to a guarantee agency, and in some cases this is done electronically.)

Incorrect certification of a Stafford Loan application bears serious consequences. If a school incorrectly certifies that an ineligible student is eligible, the school will be responsible for purchasing the loan which is incorrectly made. In addition, the school is responsible for reimbursing ED for all interest and special allowances paid on behalf of that borrower. If the school certifies an amount which exceeds the student's eligibility, the school will be responsible for reimbursing the lender for the difference between the incorrect loan amount and the amount for which the student was actually eligible. The school must also reimburse ED for the excess interest and special allowance payments made on the incorrect loan amount.

For examples of Stafford Loan and SLS/PLUS school certifications, see Appendices A and B.



11.4.3 Completion of the School's Section of the SLS/PLUS Application

Now let's look at the school's section of the SLS/PLUS application. In the sample shown on the next page, note the similarities to the Stafford Loan application. Loan period, expected graduation date, cost of attendance, and estimated amount of other financial aid are critical items

SCHOOL'S SECTION OFA SAMPLE SLS/PLUS LOAN APPLICATION

SECTION C--TO BE COMPLETED BY THE SCHOOL

23. Name and address of school _____ 24. Phone Number (__)___-____ 25. School Code ____
26. Grade Level Code __ 27. Expected Graduation Date _____
28. Recommended Disbursement Date

29. Cost of attendance for loan period $	30. Financial aid for loan period $	31. Cost minus Aid $	32. Loan period From	To

33. I have read and understand the terms of the School's Certification on the back of this form.

Signature of School Official _____ Date _____
Print Name and Title _____

in the SLS and PLUS programs, just as they were in the Stafford Loan program.

The school must enter the same educational cost information required on the Stafford Loan application. To establish the maximum allowable SLS or PLUS loan, the aid administrator will enter the cost of attendance (Item 29) and other financial aid received or expected (Item 30). *Other financial aid* must include any Pell Grant and Stafford Loan for which the student is eligible. If the student is eligible for a Stafford Loan, the amount must be included in *other financial aid* even if, for some reason, the student does not apply for or receive the loan.

COA *minus* Other Financial Aid = Maximum SLS or PLUS Amount

Other financial aid must include:
- the amount of any Pell Grant for which the student is eligible; and
- the amount of any Stafford Loan for which the student is eligible, *even if the student does not apply for or receive the Stafford Loan.*

The SLS or PLUS loan amount may not exceed this difference (Item 31) *or* the annual ceiling in the regulations. Also, the limits on cumulative totals for loans must not be exceeded as a result of the SLS or PLUS loan requested.

The School Certification attests to the student's eligibility and to the accuracy of the information included on the application.

11.5 APPLICATION PROCESSING BY THE LENDER

After the lending organization receives a completed loan application, it reviews the application to be sure it is completed fully and accurately. The lender looks for

errors such as a conflict in the loan period dates (for example, 9/9/87 to 2/16/87) or a mistake in subtracting the estimated financial aid (and the EFC on a Stafford Loan application) from the cost of attendance. The lender also looks for an incomplete listing of references or missing signatures. If problems are discovered at this point, the lender may return the application to the institutional aid office or the borrower, requiring corrections before further processing.

If the lending organization approves the loan, it completes its section of the application form and sends it to the guarantee agency for guarantee approval. If the guarantee agency issues a guarantee on the loan, the lender now obtains a signed promissory note from the borrower (unless it obtained one earlier with the application itself).

When the borrower signs a promissory note, the lender expects the borrower to understand the conditions of the loan and the repayment requirements. Many agencies now include consumer information and the promissory note as part of the loan application.

After the student's application has been fully processed by the lender and the guarantee agency, the lender disburses a check or transfers funds to the school electronically. Stafford Loan and SLS disbursements to student borrowers are sent directly to the institution except when the institution is located outside the United States. Loan checks for students attending foreign schools may be sent directly to the student. Stafford Loan checks may be made payable to the student only, requiring the signature (endorsement) of the student. However, guarantee agencies may require checks to be co-payable to both the student and the school, requiring an endorsement by each party. PLUS checks are made payable to the parent and are sent to the parent borrower.

Most Stafford Loans, and SLS loans made after October 1, 1988, must be disbursed in multiple payments. Disbursement in two or three installments is required for all Stafford and SLS loans over $1,000 for any period of enrollment that ends more than 180 days (or 6 months) after the date the initial disbursement is scheduled to be made. In multiple disbursements, no payment may exceed one-half of the loan, and at least one-third of the total enrollment period for which the loan is intended must have passed before a second disbursement is made.*

Guarantee agencies may require checks to be co-payable to both the student and the school.

*Exception: The second disbursement may be made earlier than this in order for payment to coincide with the beginning of the second semester, quarter, or similar division of a school's academic year.

PLUS and Consolidation loans need not be disbursed in multiple payments. Also, multiple disbursement is not required for Stafford Loans made to students attending foreign schools.

11.6 INSTITUTIONAL PROCESSING OF A STAFFORD LOAN OR SLS CHECK

Federal regulations (34 CFR 682.604) specify requirements for the institutional processing of a borrower's loan check. The requirements apply to checks made out to a student or to the student and the school.

These regulations are not applicable to PLUS loan checks because they are not processed by the institution. PLUS checks are made out to the parent borrower and sent to the borrower directly. These regulations also do not apply to institutions which also act as lenders.

Although the following sections of this module will outline procedures for institutional check processing, we also advise you to study the federal regulations carefully.

11.6.1 General Procedures

As the first steps in check processing, the institution verifies that the student has registered for at least half-time attendance and confirms that the student still meets other eligibility requirements. If the institution cannot verify the appropriate conditions, it must return the check to the lender within 30 days. Additionally, the school has 45 days after receipt of Stafford Loan proceeds to complete the verification process for any selected applicant. If verification is not completed in that time, the school must return the check to the lender.

After eligibility is established, the school obtains the student's endorsement on the check. Where loan proceeds are received by the school through electronic fund transfer rather than a check, the institution must obtain a written authorization from the student to release funds. This authorization may be given to the school not more than 30 days before the first day of classes in the enrollment period.

Loan proceeds for registered students may be delivered before the first day of classes. The school may credit the

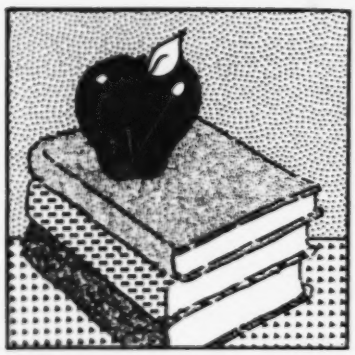
student's account as payment of the student's current bill for outstanding institutional costs, and may pay any remaining funds to the student.

The student may request in writing that the school hold the remaining proceeds. In this case, remaining proceeds may be held on the student's account as a credit toward costs that will be incurred during the rest of the academic year.

Credit may be made to a registered student's account up to 21 days (3 weeks) prior to the first day of classes. Funds may be released to the student up to 10 days before the first day of classes.

The institution must inform the Stafford Loan and SLS borrower of its policy concerning refunds if the student withdraws or drops out of school before the end of the payment period.

The institution may credit the student's account for current institutional charges only. Current charges are those for which substantially all other students have been charged. For example, if all students have been billed for the first half of a program, the student's Stafford Loan or SLS check may be credited to the institution's account in payment for the first half of the program. Any remaining proceeds must be returned to the student as soon as administratively possible, unless the student makes a written request that the institution hold an additional amount to cover payment for the second half of the program.



11.6.2 Processing a Late Disbursement Check

Late disbursement checks are:

- ✧ checks that arrive at the institution after the end of the loan period for which the loan was made; or
- ✧ checks that arrive during the loan period, but after the student has stopped attending at least half-time.

Late disbursement checks must be returned to the lender within 30 days, unless the student has made arrangements with the lender to allow processing by the institution. If the student's request has been approved, the late disbursement check will be sent with a notice allowing the institution to process the check in the normal way. A school may not use a late disbursement check to pay a student's outstanding account unless this notice accompanies the check.

If the check cannot be processed, the institution must return it to the lender with a notice explaining the conditions under which it is determined to be late (for example, because it arrived after the end of the loan period, or because the student is no longer enrolled on at least a half-time basis). The institution must also include:

- ✧ the student's date of withdrawal (if applicable); and

- a list of charges still due the institution (charges must be limited to the cost of attendance for the period in which the student was attending at least half-time).

If the check is returned to the lender, the institution must notify the student that arrangements can be made for the lending organization to disburse the funds again for payment of the outstanding bill.

11.7 REPORTING WITHDRAWALS AND LESS-THAN-HALF-TIME-ATTENDANCE

Institutions have the responsibility for notifying lenders and guarantee agencies of a student's withdrawal during the loan period. Institutions must also develop and apply a refund policy in cases where the student withdraws.

For refund purposes, the withdrawal date is normally the date on which the student notifies the school that he or she is withdrawing. However, if the student does not give this notification, it is the date on which the school determines that the student has withdrawn. If a student does not return after a leave of absence, the withdrawal date is the first day of the period which was designated as a leave of absence. The regulations set conditions for leaves of absence which should be compared with your institution's policies (see 34 CFR 682.605[b][2]). We will address Stafford/SLS/PLUS and other Title IV refund regulations in Module 15.

If the student is enrolled in a correspondence program, and does not notify the school that he or she has withdrawn, the withdrawal date is normally determined to be 60 days after the due date for a required lesson that the student has failed to submit. The student is not considered to have withdrawn if he or she contacts the school in writing during the 60-day period, expresses a desire to continue the program, and recognizes that lessons must be submitted on time in the future. However, schools may permit students to do this only once during their correspondence program.

Guarantee agencies send Student Confirmation Reports to the financial aid office during the year, requesting confirmation of the enrollment status of students whose educational costs have been paid by Stafford Loan, SLS,

and PLUS loan funds. These reports ask you to enter the date of withdrawal, graduation, or the last date on which the student attended at least half-time. Student Confirmation Reports will be discussed again in Module 14.

If a student's status changes in one of the ways described above, and the guarantor's Student Confirmation Report will not be completed within 60 days of the change, you must notify the lender and/or guarantee agency without delay. Your notification should include the student's name, Social Security number, address, and the withdrawal date or last date of half-time or greater enrollment.

11.7.1 The Stafford Loan Exit Interview

According to the Higher Education Amendments of 1986, institutions are required to conduct exit interviews for those students whose loans under the Stafford Loan and SLS programs began on or after July 1, 1987. The interview must be given before or at the time that the student borrower ceases to be enrolled. The counseling may be conducted on an individual basis; however, if an individual interview is not possible, exit counseling may be conducted on a group basis. If the student borrower ceases attendance without notifying the institution, the exit interview information may be mailed to the student (be sure to document that such exit loan materials were sent to the former attendee). The exit interview materials provided to the student borrower must include the following information:

- ✧ the average indebtedness of students with Stafford and Perkins Loans;
- ✧ the average anticipated monthly payments; and
- ✧ strategies for repayment and debt management.

The institution should also emphasize the student's rights and responsibilities under the Stafford Loan program, especially the student's responsibility for notifying the lender regarding changes in place of residence and mailing address.

11.8 SUMMARY OF INSTITUTIONAL RESPONSIBILITIES

This module has discussed the following institutional responsibilities required for participation in the Stafford, SLS, and PLUS loan programs:

- ✧ determining student eligibility;
- ✧ processing and certifying the application;
- ✧ verifying registration and at least half-time enrollment status;
- ✧ complying with check processing and disbursement regulations; and
- ✧ notifying lenders and guarantee agencies if the enrollment status of a student drops to less than half-time.

Additional responsibilities will be addressed in later modules. These responsibilities include:

- ✧ verifying applicant data (Module 13);
- ✧ submitting reports to lenders (including secondary lenders) and guarantee agencies (Module 14);
- ✧ developing a tuition refund policy within regulatory guidelines (Module 15);
- ✧ providing consumer information to current and prospective students (Module 16); and
- ✧ auditing loan transactions and program records at least every 2 years (Module 17).

RECORDKEEPING REQUIREMENTS FOR THE STAFFORD LOAN, SLS, AND PLUS PROGRAMS

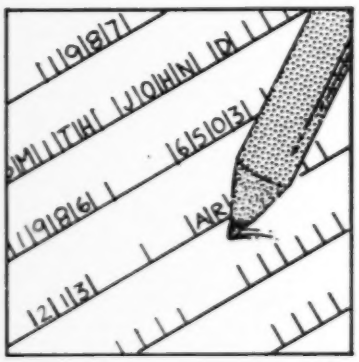
Since all Stafford, SLS, and PLUS loan records are subject to audit by ED, internal and external auditors, and guarantee agencies, there are regulatory guidelines for the maintenance of loan records. Unless otherwise noted, the requirements below apply to Stafford, SLS, and PLUS loans.

11.9 RECORDKEEPING REQUIREMENTS

The institution must maintain accurate and current borrower records, including a copy of the loan application. Records must include:

- **the name and address of the lender;**
- **the amount of the loan;**
- **the dates of the loan period;**
- **the data used to construct the student's cost of attendance (student budget);**
- **certification that the student and/or parent is not in default on a Title IV loan and does not owe repayment on a Title IV grant;**
- **the amount of tuition and fees paid by the student for the loan period;**
- **the date the student paid the tuition and fee charges;**
- **the date the institution received the loan check;**
- **the date the institution endorsed the loan check; and**
- **the date the institution gave the loan check to the student.**

In addition to records specifically required for the Stafford Loan, SLS, and PLUS programs, the institution's records must also document the student's general eligibility for Title IV programs (see Module 6).



In addition, records for the Stafford Loan program must include:

- the data and certifications used to determine the expected family contribution;
- documentation of Pell Grant eligibility or ineligibility; and
- a record of the student's placement in a job after leaving school, if this information is known.

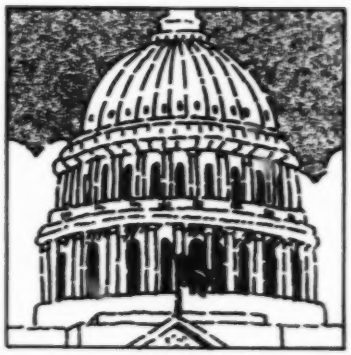
Records for the SLS program must include:

- documentation of Pell Grant eligibility or ineligibility; and
- documentation of Stafford Loan eligibility or ineligibility.

SUMMARY

The Stafford Loan, SLS, and PLUS programs make a significant source of funds available to students for educational purposes through the cooperative efforts of the public sector (government) and private sector (lenders).

Repayment is postponed for Stafford Loan borrowers until after the student's attendance is below the half-time enrollment level. Similarly, if an enrollment-based deferment is obtained, repayment is postponed for SLS borrowers. The federal government supports Stafford, SLS, and PLUS loans by offering certain guarantees or assurances to lenders and guarantors, helping students who may have no prior credit history to obtain the loans necessary to pursue their educational goals.



The Stafford Loan, SLS, and PLUS programs have many similarities. There are, however, important differences among the three programs. The Stafford Loan and SLS programs make loans to students, whereas the PLUS program makes loans to parents. The SLS and PLUS loan programs differ from the need-based Stafford Loan program in that federal regulations do not require the measurement of family financial circumstances to establish SLS or PLUS loan eligibility. Other differences exist in loan limits, repayment terms, interest rates, and deferment provisions.

COMPARISON OF THE TITLE IV LOAN PROGRAMS

	Stafford Loan	*SLS Loan*	*PLUS Loan*	*Perkins/NDSL Loan*	*Consolidation Loan*	*Income Contingent Loan*
Borrower	Undergraduate and graduate/ professional students enrolled at least half time	Independent undergraduate, graduate/ professional, and some dependent undergraduate students enrolled at least half time	Parents, on behalf of their dependent children who are students enrolled at least half time	Undergraduate and graduate/ professional students	Available to student borrowers under Stafford , SLS, PLUS (students only), Perkins/NDSL, FISL, and Health Profession Student Loan programs	Undergraduate students
Lender	Bank, credit union, savings and loan, pension fund, insurance fund, school, or state agency	Bank, credit union, savings and loan, pension fund, insurance fund, school, or state agency	Bank, credit union, savings and loan, pension fund, insurance fund, school, or state agency	School	Student Loan Marketing Association , certain state agencies, and eligible lenders	School
Annual Loan Limits per Academic Year	$2,625 undergraduate (1st or 2nd year status) $4,000 undergraduate (3rd year to completion) $7,500 graduate	$4,000	$4,000 per dependent student	$4,500 if student has completed less than 2 years of a program $9,000 if student has already completed 2 years	Offered to a student with a minimum debt of $5,000 who is in grace or deferment period and who is not more than 90 days delinquent in payment	$2,500 1st or 2nd year status $3,500 3rd year $4,500 4th and 5th years
Aggregate Loan Limits	$17,250 undergraduate $54,750 undergraduate plus graduate	$20,000	$20,000 per dependent student	$9,000 for undergraduate $9,000 for graduate	Not applicable	$17,500
Stafford Loan Need Determination	Not applicable	Yes	No	No	Not applicable	No
Need Analysis Requirement	Yes	No*	No	Yes	No	Yes
Pell Grant Eligibility Determination Prior to Certifying Loan Application	Yes	Yes, effective for loans certified on or after August 17, 1988	No	Yes	No	Yes

*Technically, *need analysis* is not a requirement for SLS loans. Need analysis calculates an EFC, and the SLS formula does not include an EFC:

COA - Estimated Other Financial Aid = Need for SLS loan

However, the amount of any Stafford Loan for which the student is eligible must be determined before certifying an SLS application.

	Stafford Loan	*SLS Loan*	*PLUS Loan*	*Perkins/NDSL Loan*	*Consolidation Loan*	*Income Contingent Loan*
Interest Rate	8% on loans to new Title IV Part B Loan borrowers made before July 1, 1988 8% for first 4 years on loans to new borrowers made on or after July 1, 1988, 10% for further years	9-14% on loans made before July 1, 1987 Variable interest rate on loans made on or after July 1, 1987, but not to exceed 12%	9-14% on loans made before July 1, 1987 Variable interest rate on loans made on or after July 1, 1987, but not to exceed 12%	5%	9% or more	Variable or fixed rate
Hardship Deferment	Not applicable	Not applicable	Not applicable	Yes, at school's option	Not applicable	Not applicable
Forbearance by Lender	At option of lender	At option of lender	At option of lender	Not applicable	At option of lender	At option of lender
Interest Paid by ED While Student in School	Yes, if borrower qualifies for a subsidized loan *and* is at least half-time	No	No	Yes, if at least half-time	No	Yes
Fees	Origination fee 5% Insurance premium of up to 3% may also be charged by lender	Insurance premium of up to 3% may be charged by lender	Insurance premium of up to 3% may be charged by lender	No	Insurance premium of up to 3% may be charged by lender	No
Where do Loan Funds Go?	School, then student borrower*	School, then student borrower*	Parent borrower	Student borrower	Student makes repayment to lender	Student borrower
Multiple Disbursements	Yes, for loans over $1,000 with loan period greater than 6 months	Yes	No	Yes, for loans made on or after October 1, 1988	Not applicable	Yes
Grace Period	6 months if interest rate is 8% - 9% 9-12 months if interest rate is 7%	No	No	Yes	60 days	Yes
Exit Counseling	Yes	Yes	No	Yes	No	Yes
Deferments	Yes, for nonsubsidized loans; borrower pays the interest	Yes, but only for principal, not interest	Yes, but limited and only for principal	Yes	Yes, but limited	Yes
Loan Amount may be Used to Replace Family Contribution	No	Yes	Yes	No	No	No
Credit Check of Borrower	No	No	At option of lender	No	No	No

*Stafford/SLS checks are mailed directly to students who are attending foreign schools.

POST-TEST

1. Most Stafford, SLS, and PLUS loan repayment periods range from:

   a. 0-5 years
   b. 5-10 years
   c. 10-15 years
   d. 5-15 years

2. The financial aid administrator must confirm that a student is registered for at least half-time attendance before a Stafford Loan check can be released to the student or credited to the student's account. True or False?

3. Stafford and SLS loan funds must be disbursed in multiple payments. True or False?

4. Which of the following eligibility criteria must be met for a student to borrow under the Stafford Loan program? (circle all that apply)

   a. students must maintain satisfactory academic progress
   b. students must be enrolled in a degree or certificate program
   c. students must demonstrate need
   d. students must not owe a refund on a Title IV grant received for attendance at any school

5. Under the Stafford Loan program, graduate students may borrow $7,500 per year. However, the total amount borrowed under the Stafford Loan program, including undergraduate and graduate loans, cannot exceed:

   a. $15,000
   b. $28,250
   c. $36,250
   d. $54,750

6. In some circumstances, a borrower may be temporarily permitted to make smaller payments on a loan. This is known as:

   a. deferment
   b. default
   c. forbearance
   d. a grace period

7. Stafford and SLS loan checks are sent directly to the student. True or False?

8. Reviewing the student's dependency status is not necessary during institutional processing of a Stafford Loan application. True or False?

9. Institutions need written authorization from the student to retain Stafford/SLS loan proceeds in excess of the amount currently due the school. True or False?

10. Students must be enrolled or accepted for enrollment at least half-time to be eligible for a Stafford, SLS, or parent's PLUS loan. True or False?

11. A late disbursement check is one that arrives at the institution: (circle all that apply)

    a. after the end of the academic period for which the loan was intended
    b. after the student has already begun classes
    c. after the student has stopped attending classes on at least a half-time basis

12. An SLS or PLUS loan is not need-based and may be counted as part of the expected family contribution. True or False?

13. Currently, who may borrow through the PLUS program? (circle all that apply)

    a. dependent undergraduate students borrowing on their own behalf
    b. parents borrowing on behalf of their children who are dependent undergraduate or graduate/professional students
    c. graduate students
    d. independent undergraduate students

14. In the Stafford Loan program, the institution's role includes: (circle all that apply)

    a. determining student eligibility
    b. certifying the loan application
    c. reviewing institutional records for indications of a student's previous default on a Title IV loan
    d. insuring loans

15. Which of the following does the Department of Education pay to the lender on behalf of a Stafford Loan borrower who is eligible for interest benefits? (circle all that apply)

    a. the difference between the lower Stafford Loan interest rate and a "market" rate calculated by a statutory formula
    b. the interest on the loan during the in-school period, grace period, and authorized periods of deferment
    c. the guarantee fee

16. Currently, when does ED pay the interest on an SLS loan? (circle all that apply)

    a. during authorized deferments
    b. during the period when the student is enrolled at least half-time at a participating school
    c. during the grace period
    d. while the student is repaying the loan
    e. none of the above--ED does not pay interest benefits on an SLS loan

17. The largest Stafford Loan amount that an undergraduate student in the first year of study may borrow for the academic year is:

    a. $2,150
    b. $2,625
    c. $3,125
    d. $3,750
    e. $4,000

18. A student already has an outstanding Stafford Loan at 9% at the time he applies for another Stafford Loan. The current interest rate is 8%. The interest rate on the student's new Stafford Loan would be:

    a. 9%
    b. 8%
    c. 8.5%
    d. 8.25%

ANSWERS

1. b. Most repayment periods range from 5 to 10 years. (For more information, see Section 11.3.1.)

2. True. The school must confirm the student's registration for attendance before a loan check (or loan proceeds) can be released. If the student is not registered for attendance, the school must return the check (or proceeds) to the lender. (11.6.1)

3. True. Stafford Loans, and SLS loans made after October 1, 1988, are subject to multiple disbursement requirements, except for Stafford Loans to students attending foreign schools. (11.5)

4. a., c., and d. All except b. are requirements for the Stafford Loan program. Students must be seeking a degree or certificate. However, students may enroll for up to 12 months in a course of study necessary for enrollment in a degree or certificate program. (11.2.1, 11.2.3, 11.4.1)

5. d. Total borrowing must not exceed $54,750. (11.3.1)

6. c. The correct term is *forbearance*. (11.3.1)

7. False. Stafford/SLS checks are sent from the lender directly to the institution, except that checks for students attending foreign schools will be mailed directly to the students. (11.5)

8. False. Dependency status must be reviewed when processing a student's Stafford Loan application. If the student is dependent, the parents' income will also be used to determine an expected family contribution. (11.4.2)

9. True. An institution may hold Stafford/SLS loan proceeds in excess of current charges on the student's behalf to cover future charges, but only if the student requests this in writing. (11.6.1)

10. True. Students must be enrolled or accepted for enrollment at least half-time. (11.2.1)

11. a. and c. A late disbursement check is one that arrives after the end of the loan period or after the student has stopped attending at least half-time. (11.6.2)

12. True. The SLS or PLUS loan is a non-need-based form of assistance that can be used to replace part or all of a family's EFC. (11.2.3)

13. b. Currently, only parents may obtain PLUS loans. They may borrow on behalf of their children who are dependent undergraduate or graduate/professional students. (11.1, 11.3.1)

14. a., b., and c. Schools determine student eligibility, review institutional records for prior default status, and certify loan applications. They do not insure loans. (11.3.2, 11.4)

15. a. and b. The Department of Education pays the lender the difference between the lower Stafford Loan interest rate and a rate that is tied to the 3-month rate of 91-Day Treasury Bills. ED also pays the interest on the Stafford Loan during the in-school period, grace period, and authorized periods of deferment. The student pays the guarantee fee. (11.3.1)

16. e. ED does not pay interest on an SLS loan--there is no provision for interest benefits or an interest subsidy. (11.3.1)

17. b. An undergraduate may borrow a maximum of $2,625 during the first year of study. Students who have successfully completed their second year of study may borrow a maximum of $4,000. (11.3.1)

18. a. The student would continue to borrow at the original 9% interest rate. (11.3.1)

Questions: 18 Your Score: Percentage:

adjusted gross income (AGI)	An income figure taken from the federal income tax form that has been filed in compliance with IRS regulations and guidelines.
cancellation of loan	The condition that exists when a borrower has fulfilled specified requirements permitting cancellation of the borrower's obligation to repay a designated portion of the principal and interest.
co-maker	One of two individuals who are joint borrowers on a loan and who are equally liable for repayment of the loan.
cost of attendance (COA)	Those charges and allowances established by the institution that are applicable to students for attendance for one academic year. Generally, the COA includes tuition and fees; allowances for room and board, books, supplies, transportation and miscellaneous expenses, child care, dependent care, and certain handicap-related expenses. There are significant differences between these components in the Pell Grant and campus-based/GSL programs. See Sections 411F and 472 of the Higher Education Act of 1965, as amended, for provisions on establishing institutional costs of attendance. The term *cost of attendance* is often used interchangeably with *cost of education*.
default	The failure of a borrower either to make an installment payment when it is due or to comply with other terms of the promissory note.
deferment of loan	A period during which the repayment of the principal amount of the loan is suspended as a result of the borrower meeting one of a number of requirements established by law. During this period, Perkins Loan borrowers and most Stafford Loan borrowers will not have to pay interest on the loan. Most students who borrow under the Stafford Loan and SLS programs are entitled to the same authorized deferments; parent PLUS borrowers are entitled to a more limited set of deferments. (Prior to passage of the Higher Education Amendments of 1986, independent undergraduate students were allowed to borrow under the PLUS program. These student borrowers were allowed the same deferments as those offered under the Stafford Loan and SLS programs.)
delinquent borrower	A Stafford Loan borrower who has failed to make an installment payment on its due date.
discharge due to bankruptcy	Release from a loan obligation by action of a bankruptcy court. For Stafford, SLS, or PLUS loans discharged in bankruptcy, the Department of Education repays the amount owed by the borrower to the lender or guarantee agency. For Perkins Loans, the Department does not reimburse the institution for cancellation of loans due to bankruptcy.

disclosure statement — A statement sent to the borrower by the lender before or at the time it disburses a loan, as well as at, or prior to, the beginning of the repayment period. The purpose of the disclosures is to provide borrowers with thorough and adequate information about the terms of the loan and the consequences of default, including such provisions as: amount of the loan, interest rate, fee charges, length of the grace period (if any), the maximum length of repayment and the minimum annual repayment, deferment conditions, and the definition of default.

endorser — An individual who is secondarily liable for a loan obligation.

expected family contribution (EFC) — The figure which indicates how much of a family's financial resources should be available to help pay the expenses of postsecondary education. This figure is determined according to statutory formulas. The Pell Grant program calls the EFC the *Student Aid Index (SAI)*. The Congressional Methodology calls the EFC *the Family Contribution (FC)* for the campus-based and Stafford Loan programs.

forbearance — At lender option, permission given for the temporary cessation of payments of Stafford, SLS, or PLUS loans, allowing an extension of time for making payments, or accepting smaller payments than were previously scheduled. Forbearance may be given for circumstances which are not covered by deferment, and is usually given in situations where personal problems, such as hospitalization or short-term unemployment, affect the borrower's ability to meet loan payment obligations.

grace period — The period of time that begins when a loan recipient ceases to be at least a half-time student and ends when the repayment period starts. The loan principal and interest need not be paid by the student during the grace period.

guarantee agency — A state agency or private, nonprofit institution or organization which administers the Stafford Loan, SLS, and PLUS programs.

guarantee fee — An insurance fee charged the lender by the guarantee agency. The fee is usually passed on to the student or borrower. In most cases, the lender reduces the amount of the loan check by this amount.

interest benefits — Interest payments made by the Secretary of Education to a lender on behalf of an eligible Stafford Loan borrower. These payments are made by ED at the student's Stafford Loan interest rate only during certain periods: during the student's enrollment (at least half-time), the grace period, and any deferment periods. Interest benefits are not paid on SLS or PLUS loans.

origination fee — A processing fee calculated on the amount borrowed for a Stafford Loan and charged to the student by the lender. This fee (like the

guarantee fee) is usually subtracted from the amount of the student loan proceeds.

principal and interest — Principal refers to the loan amount borrowed; interest refers to the amount charged for the use of the money over a period of years. Interest is usually stated as a percent

promissory note — The legal document the borrower signs when obtaining a loan. It lists the conditions under which the loan is made and the terms under which the borrower agrees to pay back the loan.

repayment period — The period during which the borrower (student or parent) repays a loan.

repayment schedule — A plan which sets forth the principal and interest due in each installment and the number of payments required to pay the loan in full. Additionally, it should include the interest rate, the due date of the first payment, and the frequency of payments.

secondary markets — A means through which holders of loan notes sell them to a third party, such as the Student Loan Marketing Association (SLMA, or "Sallie Mae") or another lending institution, for the face value of the loan portfolio or other negotiated price. Once sold, the secondary market has total responsibility for the future servicing and repayment of the loan. In addition to Sallie Mae, which is chartered by Congress, there are 30 secondary markets operating at the state or regional level, as well as a number of commercial lenders who also purchase loans.

special allowance — A percentage of the average unpaid principal balance, paid to a lender by the Secretary of Education on an eligible Stafford, SLS, or PLUS program loan. In effect, ED is paying extra interest on the loan in addition to interest paid by the student or parents. This subsidy makes up the difference between the rates charged to Stafford/SLS/PLUS borrowers and the market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury Bill rates.

ACRONYMS

AGI	Adjusted Gross Income.
COA	Cost of Attendance.
EFC	Expected Family Contribution.

KEY RESOURCES

1. U.S. Department of Education, Office of Student Financial Assistance, *Current Title IV Regulations*, Washington, D.C., OSFA/ED, 1988.

   Federal regulations covering the Title IV programs.

2. U.S. Department of Education, Office of Student Financial Assistance, *Federal Student Financial Aid Handbook*, Washington, D.C., OSFA/ED, 1988.

The references listed above can be obtained by contacting the publishing organization. For U.S. Department of Education addresses, see the inside back cover or the Support Booklet.

APPENDIX A--SAMPLE STAFFORD LOAN (GSL) APPLICATION

SECTION A--TO BE COMPLETED BY THE STUDENT--READ THE INSTRUCTIONS--TYPE OR PRINT IN INK

1. Social Security Number | 2. Last Name | First Name | Middle Name

3. Citizenship Status ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
4. Permanent Home Address _____ City | State | Zip
5. Date of Birth

6. Phone Number (_ _) _ _ _-_ _ _ _
7. Driver's License State Number
8. Major Course of Study

9. Intended Enrollment Status ❑ Full-time ❑ At least half-time
10. Requested Loan Amount $
11. Loan Period From To

12. Have you ever defaulted on an education loan? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.

13. Do you have any unpaid student loans? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form.

13a. Total unpaid balance of your most recent Stafford/GSL $
13b. Interest rate on your most recent Stafford/GSL %
13c. Grade level of your most recent Stafford/GSL (see instructions)

13d. Beginning and ending dates of your most recent Stafford/GSL From To
13e. Total unpaid balance of all your Stafford/GSL loans, including any portion included in a Consolidation loan $

14. Name and address of previous lender, if any

15. References--You must give three different adult references with different addresses (carefully read instructions)

15a. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _
15b. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _
15c. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

16. I have read, understand, and agree to the terms of the Borrower's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Student Borrower _____ Date _____

SECTION B--TO BE COMPLETED BY THE SCHOOL

17. Name and address of school _____
18. Phone Number (_ _) _ _ _-_ _ _ _
19. School Code ___
20. Grade Level Code ___
21. Expected Graduation Date _____
22. Enrollment period covered by loan
23. Dependency Status ❑ Dependent ❑ Independent

24. Family adjusted gross income $
25. Estimated cost of attendance for loan period $
26. Estimated financial aid for loan period $
27. Expected family contribution $

28. Difference (25 minus the sum of 26 and 27) $
29. Recommended Disbursement Dates Month Day Year | Month Day Year | Month Day Year

30. I have read and understand the terms of the School's Certification on the back of this form.

Signature of School Official _____ Date _____
Print Name and Title _____

SECTION C--TO BE COMPLETED BY THE LENDER

31. Name and address of lender _____
32. Phone Number (_ _) _ _ _-_ _ _ _
33. Lender Code ___
34. Loan Amount Approved $
35. Interest Rate %
36. Fee $
37. Lender Use Only

38. Expected Disbursement Dates Month Day Year | Month Day Year | Month Day Year

39.
Signature of Lending Official _____ Date _____
Print Name and Title _____

Eleven-50 8/20/88

SAMPLE STAFFORD LOAN (GSL) APPLICATION–CERTIFICATION STATEMENTS

Section A: Borrower's Certification for Stafford Loan

I declare under penalty of perjury under the laws of the United States of America that the following is true and correct. I, the borrower, certify that the information contained in Section A of this Application is true, complete and correct to the best of my knowledge and belief and is made in good faith. I hereby authorize the school to pay to the Lender any refund which may be due me up to the amount of this loan. I further authorize any school that I may attend to release to the Lending institution, subsequent holder, guarantor, U.S. Department of Education, or their agents, any requested information pertinent to this loan (e.g., employment, enrollment status, current address). I certify that the proceeds of any loan made as a result of the Application will be used for education expenses for the loan period covered by this Application at the school named in Section B. I understand that I must immediately repay any funds that I receive which cannot reasonably be attributed to meeting my education expenses related to attendance at that school for the loan period stated in Item 22. I certify that the total amount of loans received under the Stafford Loan Program, Title IV, Part B (P.L. 89-329) as amended, will not exceed the allowable maximums. I further certify that I do not now owe a refund on a Pell Grant, Byrd Scholarship, Supplemental Grant, or State Student Incentive Grant and am not now in default on a Perkins Loan (formerly called National Defense or Direct Student Loan) or a Stafford Loan (formerly called Guaranteed Student Loan), or a Federally Insured Student Loan or a PLUS/ALAS/SLS Loan or an Income Contingent Loan or a Consolidation Loan unless I have otherwise indicated in Item 12 of this Application. I further authorize my Lending institution to issue a check covering the proceeds of my loan, in full, or in part, made payable to me, or at the Lender's option, jointly payable to me and the school, and sent to the school named in Section B.

I, the student borrower, understand that I will receive a Notice of Loan Guarantee and Disclosure Statement that identifies my loan amount (as determined by the Lender), the fee amounts, disbursement dates, grace period, interest rate and late charges. I, the student borrower, understand that if the information on the Notice of Loan Guarantee and Disclosure Statement conflicts with the information on the Application and Promissory Note, the information of the Notice of Loan Guarantee and Disclosure Statement applies.

Section B: School's Certification for Stafford Loan

I hereby certify that the student named in Section A is accepted for enrollment, or is enrolled as at least a half-time student and is making satisfactory progress in a certificate or degree program determined to be eligible for the Stafford Loan Program. I further certify, that I have determined the borrower's eligibility/ineligibility for a Pell Grant. I further certify that, based upon records available, this student is neither in default, unless otherwise indicated in Item 12 of this Application, nor owes a repayment with respect to previous federal financial assistance, and that the information provided in Section B is true, complete, and correct to the best of my knowledge and belief. I further certify that this Application does not cause the borrower to exceed the annual loan limits allowable for this borrower under the Stafford Loan Program (formerly called Guaranteed Student Loan).

APPENDIX B–SAMPLE SLS/PLUS LOAN APPLICATION

SECTION A–TO BE COMPLETED BY BORROWER (PARENT OR STUDENT)–READ THE INSTRUCTIONS

1. Social Security Number | 2. Last Name | First Name | Middle Name

3. Citizenship Status ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
4. Permanent Home Address _____ City _____ State _____ Zip _____
5. Date of Birth

6. Phone Number (_ _) _ _ _-_ _ _ _
7. Driver's License State Number
8. Requested Loan Amount $

9. Have you ever defaulted on an education loan? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.

10. Do you have any unpaid SLS/PLUS loans for the student identified in Section B? ❑ Yes ❑ No — If yes, enter the information only for the student identified in Section B.

10a. Total unpaid balance of your most recent SLS/PLUS loan $

10b. Grade level of your most recent SLS/PLUS loan

10c. Beginning and ending dates of your most recent SLS/PLUS loan From To

10d. Total unpaid balance of all your SLS/PLUS loan loans, including any portion included in a Consolidation loan $

11. References–You must give three different adult references with different addresses (carefully read instructions)

11a. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

11b. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

11c. Name _____ Address _____ Phone Number (_ _) _ _ _-_ _ _ _

12. I have read, understand, and agree to the terms of the Borrower's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Borrower _____ Date _____

SECTION B--TO BE COMPLETED BY THE STUDENT--READ THE INSTRUCTIONS

13. Social Security Number | 14. Last Name | First Name | Middle Name

15. Citizenship Status ❑ U.S. Citizen ❑ Eligible Noncitizen Alien ID Number _____
16. Date of Birth
17. Major Course of Study
18. Intended Enrollment Status ❑ Full-time ❑ At least half-time
19. Loan Period From To

20. Have you ever defaulted on an education loan? ❑ Yes ❑ No — If yes, carefully read the instructions on the back of this form, and give details on a separate sheet, including arrangements made to pay the debt.

21. Name and address of previous lender, if any

22. I have read, understand, and agree to the terms of the Student's Certification on the back of this form. (WARNING: Any person who knowingly makes a false statement or misrepresentation on this form is subject to penalties which may include fines or imprisonment under the United States Criminal Code and 20 USC 1097.)

Signature of Student _____ Date _____

SECTION C--TO BE COMPLETED BY THE SCHOOL

23. Name and address of school _____
24. Phone Number (_ _) _ _ _-_ _ _ _
25. School Code ____
26. Grade Level Code __
27. Expected Graduation Date _____
28. Recommended Disbursement Date

29. Cost of attendance for loan period $
30. Financial aid for loan period $
31. Cost minus Aid $
32. Loan period From To

33. I have read and understand the terms of the School's Certification on the back of this form.

Signature of School Official _____ Date _____
Print Name and Title _____

SECTION D--TO BE COMPLETED BY THE LENDER

34. Name and address of lender _____
_____
_____

35. Phone Number (__)___-____ 36. Lender Code ___
37. Loan Amount Approved $ 38. Interest Rate %
39. Fee $ 40. Lender Use Only

41. Disbursement Date 42. First Payment Date 43. Number of months in repayment term 44. Combine with previous loans? ❑ Yes ❑ No

45.
Signature of Lending Official _____ Date _____
Print Name and Title _____

SAMPLE PLUS/SLS LOAN APPLICATION--CERTIFICATION STATEMENTS

Section A: Borrower's Certification for SLS or PLUS Loan

I certify under penalty of perjury under the laws of the United States of America that the following is true and correct. The information contained in Section A of this application is true, complete and correct to the best of my knowledge and belief and is made in good faith. If I am applying for a PLUS loan as a parent, I certify that I am the natural or adoptive mother or father or legal guardian of the student named in Section B. The proceeds of any loan made as a result of this application will be used solely for educational purposes for the period for which the loan is intended and at the school described in Section C. I understand that any funds that I receive on behalf of the student named in Section B, which cannot reasonably be attributed to meeting the education expenses of the student related to attendance at the school named in Section C for the loan period stated, must be returned to the lender. I authorize the lender to issue a check covering the proceeds of my loan, in full or in part, made payable to me, or at the lender's option, jointly payable to me and the school, and sent to the school if I am a student borrower. I authorize the lender to perform a credit check to determine my ability to repay this loan. The lender is authorized to check my credit and employment history and to answer questions about its credit experience with me. I further certify that I am not now in default on a Perkins Loan (formerly called National Defense or Direct Student Loan), a Federal Insured Student Loan (FISL), a Stafford Loan (formerly called Guaranteed Student Loan), a Health Education Assistance Loan (HEAL), a PLUS/SLS Loan, a Income Contingent Loan or a Consolidation Loan. I further certify that I do not now owe a repayment on a Pell Grant, Byrd Scholarship, Supplemental Grant, or State Student Incentive Grant. I, the Borrower, understand that I will receive a Notice of Loan Guarantee and Disclosure Statement that identifies my loan amount (as determined by the lender), the fee amounts, due dates, and late charges. I understand and agree that if the information on the Notice of Loan Guarantee and Disclosure Statement conflicts with the information on the Application and Promissory Note, the information on the Notice of Loan Guarantee and Disclosure Statement applies.

Section B: Student's Certification for SLS Loan

I certify under penalty of perjury under the laws of the United States of America that the following is true and correct. The information contained in Section B of this application is true, complete, and correct to the best of my knowledge and belief and is made in good faith. I hereby authorize the school named in Section C to pay to the lender named in Section D any refund which may be due to me up to the amount of this loan. I hereby authorize the school named in Section C to release information contained in my file that is relative to my eligibility and which permits me or my parent to borrow on my behalf (such as enrollment status, financial assistance, or employment). I have been accepted for enrollment or am enrolled and am making satisfactory progress as at least a half-time student in an undergraduate, vocational, or graduate program at the school named in Section C. I further certify that I am not now in default on a Perkins Loan (formerly called National Defense or Direct Student Loan), a Federal Insured Student Loan (FISL), a Stafford Loan (formerly called Guaranteed Student Loan), a Health Education Assistance Loan (HEAL), a PLUS Loan, an Income Contingent Loan or a Consolidation Loan. I further certify that I do not now owe a repayment on a Pell Grant, Byrd Scholarship, Supplemental Grant, or State Student Incentive Grant.

Section C: School's Certification for SLS or PLUS Loan

I certify that the student named in Section B is accepted for enrollment or is enrolled and is making satisfactory progress as at least a half-time student in a certificate or degree program determined to be eligible for the PLUS and SLS programs. I further certify that, based upon records available, neither the student named in Section B, unless otherwise indicated in Item 20, nor the borrower named in Section A unless otherwise indicated in Item 9, are in default or owe a repayment with respect to previous financial assistance under Title IV of the Higher Education Act of 1965, as amended, and that the information provided in Section C is true, complete, and correct to the best of my knowledge and belief.

APPENDIX C

DEFERMENTS UNDER THE STAFFORD LOAN, PLUS, SLS, AND CONSOLIDATION LOAN PROGRAMS

Stafford Loan Deferments

Stafford Loan borrowers whose Stafford Loan(s) were received for periods of enrollment beginning before July 1, 1987 may qualify for deferments under circumstances such as:

- ✧ While the student is engaged in full-time study at a school that is participating in the Stafford Loan program, unless the student is not a national of the U.S. and is studying at a school not located in the United States.

- ✧ While the student is engaged in full-time study at an institution of higher education or vocational school that is operated by an agency of the federal government (such as the service academies), unless the student is not a national of the U.S. and is studying at a school not located in the United States.

- ✧ While the student is studying in an eligible graduate fellowship program, including a recognized graduate international fellowship program at a foreign university. The borrower, in this instance, must have a bachelor's degree and be enrolled on a full-time basis (see 34 CFR 682.10 for further information).

- ✧ For periods not exceeding 36 months (for each of the following) while the student is:

  - on active duty status in the Armed Forces of the U.S. or serving as an officer in the Commissioned Corps of the U.S. Public Health Service;

  - serving as a volunteer under the Peace Corps Act, if the student has agreed to serve for a term of at least one year;

  - serving as a full-time volunteer under Title I of the Domestic Volunteer Service Act of 1973 (ACTION programs), if the student borrower has agreed to serve for at least one year.

  - performing full-time volunteer service, which the Secretary of Education has determined is comparable to service in the Peace Corps or ACTION programs, for an organization exempt from taxation under Section 501 (c)(3) of the Internal Revenue Code of 1954, as amended; or

  - temporarily totally disabled, as established by a sworn affidavit of a qualified physician, or unable to secure employment because the student borrower is caring for a spouse or dependent who is temporarily totally disabled, as established by a sworn affidavit of a qualified physician.

- ✧ For periods of unemployment totalling up to 2 years, if during those periods the borrower is seeking but unable to find full-time employment.

- ✧ Up to 2 years of service in an internship program which is required in order to begin professional practice or service, or service in an internship or residency program which leads to a degree or certificate awarded by a postsecondary school, a hospital, or a health care facility offering postgraduate training.

- ✧ For up to 6 months of parental leave during which the borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following the adoption process. The borrower must neither be attending an eligible school nor gainfully employed. The borrower must have been enrolled on at least a half-time basis at an eligible institution at some time during the 6-month period before the period of parental leave.

In addition to the above deferment provisions, *new* Stafford Loan borrowers receiving a loan for a period of enrollment beginning on or after July 1, 1987 may request deferments in the following circumstances:

- ✧ While the student is engaged in at least half-time study at a school that is participating in the Stafford Loan program (unless the student is not a national of the United States and is studying at a school not located in the United States), if the student receives a loan under the Stafford Loan or SLS programs for that period of enrollment.

- ✧ While the borrower is an active duty member of the National Oceanic and Atmospheric Administration Corps. There is a 3-year limit for this deferment, including any deferments obtained for active duty service in the Armed Forces of the United States and the Commissioned Corps of the United States Public Health Service.

- ✧ For up to 3 years during which the borrower is engaged in full-time teaching in a public or private elementary or secondary school in a teacher shortage area.

- ✧ For up to 12 months for mothers with preschool age children (a mother whose child has not entered first grade) who are entering or reentering the work force and whose pay is not more than $1.00 over the federal minimum wage.

PLUS Deferments

Some circumstances under which PLUS borrowers may qualify for deferments are:

- ✧ For loans received or disbursed prior to July 1, 1987, the borrower may defer the loan(s) repayment on the principal of the loan for periods not exceeding 24 months while the borrower is conscientiously seeking but unable to find full-time employment in the United States.

- ✧ For all borrowers, deferments are available while the student for whom the parent borrowed is:

    - engaged in at least half-time study at a school that is participating in the Stafford Loan program (unless the borrower is not a national of the United States and is studying at a school which is not located in the United States), if the borrower receives a loan under the Stafford Loan or SLS programs for the enrollment period;

- enrolled in a full-time course of study at an institution of higher education or a vocational school that is operated by an agency of the Federal Government (i.e., the Service academies) unless the borrower is not a national of the United States and is studying at a school not located in the United States;

- in an eligible graduate fellowship program;

- engaged in an eligible rehabilitation training program for disabled individuals; or

- or if the *parent* borrower is temporarily totally disabled, or unable to secure employment because the borrower is providing care for a dependent who is temporarily totally disabled according to a sworn affidavit of a qualified physician.

Other Examples of Deferments

Some general circumstances under which borrowers may qualify for deferments under more than one loan program are:

- ✧ Full-time study at a participating school, unless the borrower is not a national of the United States and is pursuing a course of study at a foreign school (this deferment is available to all Stafford Loan, SLS, and Consolidation loan borrowers, and PLUS borrowers).

- ✧ At least half-time study at a participating school, unless the borrower is not a national of the United States and is pursuing a course of study at a foreign school (Consolidation loan borrowers, new Stafford Loan, new SLS, and new PLUS borrowers, if the borrower has a Stafford or SLS loan for the period of enrollment).

- ✧ Study under an eligible graduate fellowship program (all Stafford Loan, SLS, and Consolidation loan borrowers, and new PLUS borrowers).

- ✧ Periods of unemployment, during which the borrower is conscientiously seeking but unable to find full-time employment in the United States (all Stafford Loan, SLS, PLUS, and Consolidation loan borrowers). The total of unemployment deferments may not exceed 24 months.

- ✧ Parental leave of up to 6 months during which the borrower is pregnant, caring for his or her newborn child, or caring for his or her adopted child immediately following adoption (all Stafford Loan and SLS borrowers).

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